

Algeria	2022	Indonesia	823100	Peru	823100
Argentina	2022	Israel	823100	Saudi Arabia	823100
Australia	2022	Italy	823100	Singapore	823100
Canada	2022	Japan	823100	South Korea	823100
Ceylon	2022	Jordan	823100	Sri Lanka	823100
Denmark	2022	Kuwait	823100	Sweden	823100
Egypt	2022	Lebanon	823100	Switzerland	823100
Finland	2022	Malaysia	823100	Taiwan	823100
France	2022	Mexico	823100	Thailand	823100
Germany	2022	Morocco	823100	Turkey	823100
Greece	2022	Netherlands	823100	USA	823100
Hong Kong	2022	Norway	823100		
India	2022				

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,415

Tuesday December 15 1987

D 8523 A

China: Bankruptcy  
in a state-run  
economy, Page 22

## World News

## Business Summary

### Israel plans Lebanon offensive, says Arafat

PLQ leader Yasser Arafat said he had received reports of a planned Israeli offensive in southern Lebanon and claimed that Israel had massed between 40,000 and 60,000 troops along the Israel-Lebanon border. He said Israeli forces had killed at least 52 Palestinians in clashes in the occupied territories and appealed for United Nations intervention. Death toll rises, Page 22

### Peace talks shelved

The Nicaraguan Government postponed a second round of peace talks with US-backed Contra rebels only hours before it was due to begin. Propaganda blow, Page 6

### Troop cut talks

Nato and the Warsaw Pact agreed in principle on the objectives and methods of a new conventional arms reduction forum after a concession by the Pact, Page 3

### Norway Nato protest

About 300 protesters, calling for Norway to leave the Nato alliance, marched past the US embassy and burned two US flags during a visit to Oslo by US Secretary of State George Shultz, Page 2

### Whitlaw collapses

Britain's Deputy Premier Lord Whitlaw, 69, was taken to hospital after he collapsed during the UK Parliament's traditional carol service. His condition was said last night to be stable, Page 2

### France censured

New Zealand Prime Minister David Lange lodged a fierce protest against the repatriation of a French agent convicted of complicity in the bombing of the Greenpeace vessel Rainbow Warrior in Auckland harbour two years ago, Page 22

### Curbs on Mbeki rally

South African police have banned all public Christmas celebrations in honour of black nationalist Mr Govan Mbeki, who was freed from jail last month after 23 years, Page 2

### US jets for Honduras

Honduras is to get the first of 12 advanced fighter jets from the US, in a deal which critics fear may spark a regional arms race as central American nations struggle with the peace plan, Page 2

### Tunnel defence pact

Britain and France signed an agreement outlining emergency measures for the defence and military use of the Channel Tunnel which is due to link the two countries by 1993, Page 4

### N-sub for India

India was believed to be expecting to take delivery soon from the Soviet Union of its first nuclear-powered submarine, Page 6

### Romanian pay pledge

Romanian leader Nicolae Ceausescu, facing mounting unrest over his austerity policy and chronic food shortages, admitted that the country faced serious problems and promised wage increases, Page 2

### Neo-fascist leader

Italy's neo-fascist MSI-DN party elected journalist Gianfranco Fini, 35, as its leader, Page 2

### Yugoslavia appeal

Yugoslavia will seek resources from the International Monetary Fund (IMF) to help repay its almost \$20bn external debt, the government said. Yugoslavia fears, Page 2

### Poll results cancelled

Organisers of Nigeria's local elections - flawed by official incompetence and malpractices - cancelled some results and ordered fresh ballots, Page 2

### Minister sacked

South Korean President Chun Doo Hwan fired Construction Minister Lee Kyu-hyo. Earlier report, Page 4

### Arco told to halt plans for stake in Britoil

ATLANTIC RICHFIELD, major US oil company, has been told by British takeover authorities it would not be allowed to build up a 49.9 per cent stake in Britoil without proceeding to a full bid. On Friday, Arco appears to have gained the impression that it would be able to realise its plan for partnership with the UK oil independent by building up a 29.9 per cent stake in the company and swapping oil assets for a further 20 per cent of Britoil's equity, Page 22

TELEK, US computer peripherals company which has been fighting off bid from Mr Asher Edelman, New York corporate raider, is being bought for \$900m by Memorex International, Page 23

THE MEXICAN Government sharply devalued the national currency by 22 per cent to 2,200 pesos to the dollar as part of a series of measures designed to shore up the weak economy, Page 22

WALL STREET: The Dow Jones Industrial average closed up, 55.82 at 1,932.55, Page 46

LONDON: The FTSE 100 index closed up 1.0 at 1,652.6 after rallying from a 10-point fall, Page 42

TOKYO: The yen's strength against the dollar dampened buying interest in very quiet trading in Tokyo yesterday. The Nikkei average shed 109.53 points from last week's close to 22,928.28, Page 46

DOLLAR closed in New York at DM1.6310, FF5.5275, SF1.3275 and Y127.95. It closed in London at DM1.6316 (DM1.6315), FF5.53 (FF5.5325), SF1.3275 (SF1.3305), and Y127.95 (Y128.45), Page 36

STERLING closed in New York at \$1.8375. It closed in London at \$1.8385 (\$1.838), DM2.9950 (DM2.9975), FF10.1550 (FF10.1515), SF2.4275 (SF2.4450) and Y235 (Y236), Page 35

AMFAC, San Francisco-based property, food and service conglomerate, has approved a sweeping restructuring plan under which the company will sell off all its US mainland operations, valued at between \$800m and \$950m, and return to its roots in Hawaii, Page 23

GAF, US specialty chemicals and building materials group, sought revised, lower terms for its buyout deal to \$40 in cash and \$8.50 principal amount of notes for each GAF share, valuing the company at \$1.62bn, Page 23

THYSSEN, West Germany's biggest steel and engineering group, plans to pay an increased DM6.5 share dividend for the year ended September, in spite of a 17 per cent fall in worldwide turnover to DM28.6bn (\$16.3bn) from DM32bn last year, Page 24

BANK IN LIECHTENSTEIN (BIL) is to acquire Trainer, Worthing, the New York-based investment counselling firm. Representatives of the two groups declined to give the price for the privately-owned firm, Page 24

ROCKEFELLER CENTER Properties, property investment trust, said it would be repurchasing in the market two convertible Eurobonds which it issued in August 1985 as part of the financing of the Rockefeller Centre, the New York office complex, Page 26

AVON PRODUCTS, US cosmetics and toiletries group, expects net income for 1987 to be about \$196m or \$2.75 per share, up 23 per cent from \$158.7m or \$2.25 in 1986, its highest earnings for six years, Page 26

LONDON AMSTERDAM Merchant Bank, a small bank capitalised at £1.14m (\$62m), has been founded by Dutch, French and Australian institutions with the aim of financing international trade through the use of bills of exchange, Page 26

CONTINENTAL, West German tyre maker, and Toyo Tire and Rubber Co plan to co-operate on tyre production with Yokohama Rubber, another Japanese company, Page 26

## Deaths of 21 crew worst loss yet in 'tanker war'

TWENTY-ONE mainly Filipino and Polish crewmen were confirmed yesterday to have died following two Iraqi missile attacks on a Norwegian-operated oil tanker in the Gulf. Andrew Gowers, Middle East Editor, writes. The news demonstrated that the so-called 'tanker war' between Iran and Iraq has reached an unprecedented level of ferocity in the last 10 days. The attacks on the 218,467-

tonne Sussangir, owned by the National Iranian Tanker Co and managed by Rekestan Management of Bergen, took place last Wednesday and Thursday as the ship sailed from Iran's Kharg Island oil terminal in the northern Gulf. But the death toll emerged only yesterday after extensive air and sea searches by Iran. It was the highest casualty figure from any attack on merchant shipping in the seven-year-old Gulf war.

The news is bound to cause serious concern among Norwegian shipping companies, which are estimated to have a stake in 20 per cent of all vessels sailing in the Gulf at any one time. The ship's Norwegian captain, Mr Olaf Leroy, was among those missing. One Polish and four Filipino crewmen survived, and were yesterday reported to be recovering in hospital.

Yesterday's disclosure brings the overall death toll in attacks on Gulf merchant and naval ships this year to at least 100, about double the level reported in 1986, although casualties on the Iranian side of the Gulf may in reality be much higher. Independent observers confirm that a total of about 150 ships have been hit by mines and missiles. There is evidence that Iran has also become much more effective

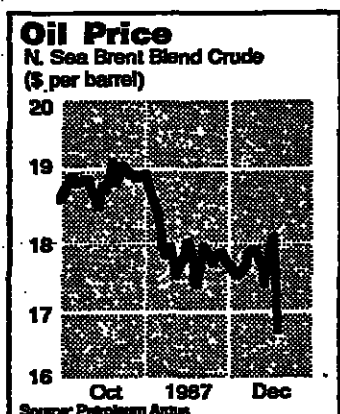
## Crude prices plunge after fresh fears of deadlock at Opec

BY RICHARD JOHNS IN VIENNA AND MAX WILKINSON IN LONDON

CRUDE OIL prices plunged by more than \$1 per barrel to less than \$17 in early trading in Europe, because of renewed pessimism that the Organisation of Petroleum Exporting Countries could reach a credible agreement in Vienna to limit production next year.

However, prices later recovered somewhat after several ministers attending the Opec meeting said they were sure that Iran would eventually agree to a pact intended to limit collective output to 15.06m barrels a day during the first half of 1988.

These statements managed to curb the mood of general pessimism when the New York markets opened, even though most analysts believe that extensive "cheating" will bring Opec production nearer to 18m b/d. The Brent crude price in Europe was down 70 cents at the end of the day compared with the price on Friday of \$17.35. On the New York Mercantile Exchange, light crude for February delivery was trading at \$17.30 by early afternoon, 70 cents less than on Friday.



Mr Aghazadeh's manoeuvre may have been motivated by the need to save some face. His uncompromising demand that the cartel's target price should be raised from \$18 to \$20.70 per barrel to compensate for the decline of the dollar and inflation, was rejected by most of the other Opec countries. The draft agreement made no

## White House tries to halt slide of dollar

BY LIONEL BARBER IN WASHINGTON AND SIMON HOLBERTON IN LONDON

THE WHITE HOUSE yesterday tried to halt the slide in the dollar to historic lows on world currency markets by reaffirming the Administration's policy of economic co-ordination with its allies to stabilise exchange rates.

On three occasions at the daily White House briefing for reporters, President Reagan's chief spokesman, Mr Martin Fitzwater, said: "We are not seeking a decline of the dollar."

The dollar staged a mild recovery following Mr Fitzwater's comments, but analysts and currency traders said the US interest rates were needed, currency traders and analysts said. The Reagan Administration, however, appears loath to do this for fear of triggering a recession and thereby jeopardising the Republican Party's chances of winning next year's presidential election.

Today's monthly meeting of the Federal Reserve Board's key monetary policy committee meeting will be scrutinised for any change in that policy.

The instability in currency markets has fed through to gold. It was fixed in London yesterday morning at \$502.75 - the first setting above \$500 since February 1985 - and thereby jeopardising the Republican Party's chances of winning next year's presidential election.

Gold traders said the price of gold in dollars was adjusting to reflect the US currency's depreciation over the past month and Continued on Page 22

## Political confusion as Martens resigns

BY TIM DICKSON IN BRUSSELS

BELGIUM appeared to be entering a lengthy period of political uncertainty last night after King Baudouin formally accepted the resignation of Mr Wilfried Martens, the country's Prime Minister.

The move had been expected after Mr Martens' Flemish-speaking Christian Democratic Party (CDP) suffered heavily in Sunday's general election. The poll was also marked by a substantial shift to the Socialist party in Wallonia, the southern French-speaking region of Belgium.

Most observers agreed, however, that the position was now highly confused and that there could be weeks, if not months, of tough and complex negotiations before a new government was formed.

Unlike Belgium's last general election in 1985 which gave Mr Martens' centre-right coalition of Christian Democrats and Liberals a clear mandate to continue its harsh economic programme, Sunday's results are highly ambiguous. The Flemish-speaking Liberals were the main beneficiaries of the CDP's misfortune in Flanders but the

Socialist Party emerged as the chief victor in Wallonia, largely because of its clear identification with the language issue.

All parties were busy analysing the implications yesterday, but Mr Martens, who late on Sunday had indicated on Belgian radio that he could be heading for a spell on the "reserve bench," did not elaborate his position.

The Socialists, as the biggest party in the new Parliament, are expected to be given the first chance by the King to form a coalition - a point which

their leaders emphasised yesterday. The Socialists have been out of the Government for the first time since 1938, have overtaken the Christian Democrats as the biggest bloc in the country.

Much will depend, however, on whether the CDP wishes to align itself with the Left or with the two Liberal parties, who pointed out yesterday that with 110 seats in parliament, the four outgoing coalition partners still have an absolute majority.

## Nissan to invest £216m in UK and double car output target

BY JOHN GRIFFITHS

ANOTHER £216m (\$396m) is to be invested in Nissan's UK car plant to provide total production of 200,000 vehicles a year in 1992. This is double the previously announced output target for the Sunderland-based facility.

The expansion programme, announced in London yesterday by Mr Takashi Ishihara, Nissan Motor Company's chairman, will involve producing 100,000 units a year of a small hatchback in addition to the Bluebird medium saloon currently being built.

The total value of the investment in Sunderland will rise to over \$600m, making it Japan's largest single project in Europe. Mr Ishihara made clear that Nissan now regards the UK as its breadbasket into the EC free of the restraints which have held back direct imports from Japan into some national markets.

Currently, Nissan sells about 300,000 cars a year in Western Europe. By producing relatively low-value, high-volume cars for sale in Europe from its UK site, Nissan will have greater flexibility to import high-value luxury and sporting cars from Japan without running foul of any EC-wide import restraints which might arise in 1992, when the EC's internal market is due to be "harmonised."

"We intend to use the success of this project for pushing ahead with a long-term Europeanisation programme," said Mr Ishihara. He praised both the work-force and cars, saying the quality of the latter was "every bit as good as that of the cars produced in Japan."

He said the soaring value of the yen had been a contributing but not sole factor in the decision. The UK had become an attractive manufacturing base in its own right.

Up to \$25m of the new investment is to be provided under various regional aid schemes by the UK Government. To date, total spending on Nissan's UK plants has reached \$50m.

The additional 100,000 cars a year output will create 1,000 extra assembly line jobs, and about 400 component and other associated jobs at the 800-acre Sunderland site, bringing Nissan's UK workforce to 3,600.

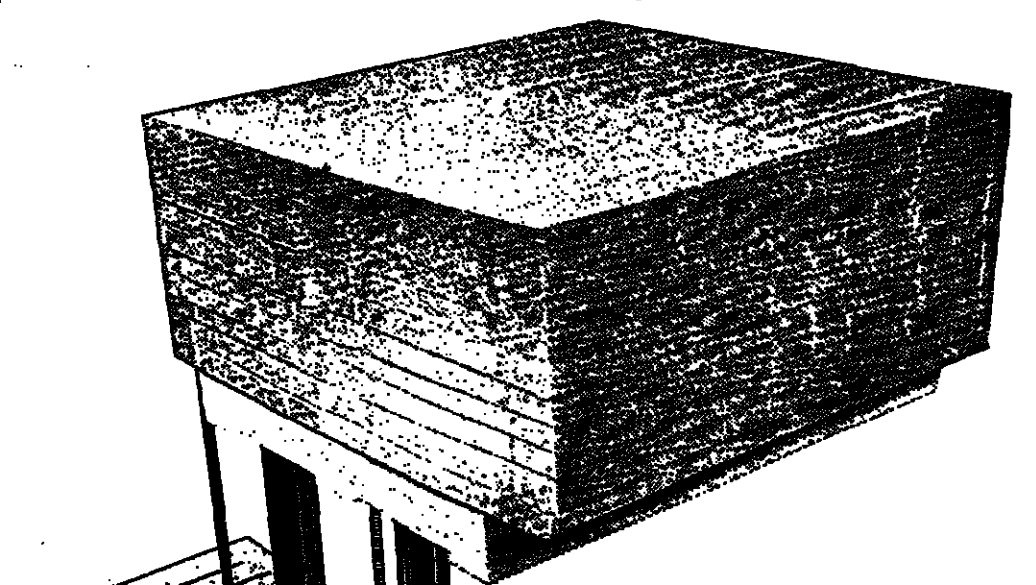
hatchback is to be 60 per cent, rising to 80 per cent. This is as measured by ex-factory gate price, which includes all overheads. Similar local content criteria were set for the Bluebird saloon production of which began last year and which is expected to reach 60 per cent local content in January.

The 80 per cent content level can be reached without either engines or transmissions being sourced inside Europe. Nissan officials refused to predict when, or even if, engine or transmission production might be brought to the UK.

Currently the plant is still building up Bluebird production. Output is scheduled to jump from 30,000 units this year to 50,000 in 1988, when exports to continental Europe are scheduled to start.

Mr Ian Gibson, deputy managing director of Nissan Motor Manufacturing the UK subsidiary, said that the plant would have a balance of trade surplus by 1989, when he expected 20,000 cars to be exported to Europe, rising to 40,000 the following year.

## Profit from experience



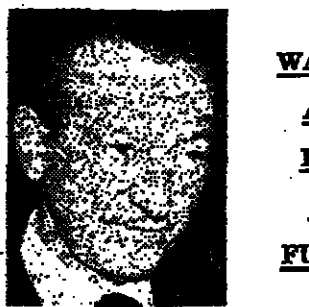
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### FUMBLING

The Austrian People's Party is paying the price for supporting the President, Mr Kurt Waldheim, Page 3

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## EUROPEAN NEWS

## West German fears rise as dollar sinks

BY DAVID MARSH IN BONN

PROMPTED BY the renewed fall of the dollar against the D-Mark yesterday, West German worries are intensifying about the impact on the economy of a prolonged period of currency turbulence.

Mr Helmut Geiger, president of the West German savings banks association, said in Bonn yesterday that the further drop in the dollar had brought the economy close to a "negative spiral" which could seriously depress investment.

He also warned of the risks of new tension in the European Monetary System, "concerning particularly the French franc."

The more the dollar sinks, the greater will be the dissonance in the EMS. The stronger currencies can hold out longer than the weaker," he said.

The Bonn Government and the Bundesbank are placing particular weight on keeping the D-Mark appreciation against EMS currencies within limits because of the two-thirds of West German exports, sold within Western Europe.

Mr Geiger's remarks coincided with blunt criticism of Bonn's limited stimulus measures this month by Mr Franz Josef Strauss, the Bavarian Finance Minister and leader of the Christian Social Union coalition party.

Mr Strauss said he saw no immediate dangers from the fall in the dollar, but said it would weaken economic damage in the medium term, especially in weakening US defence capabilities.

## Bangemann in Moscow for trade discussions

THE West German Economics Minister, Mr Martin Bangemann, flew to Moscow yesterday for two days of talks with senior officials on joint-venture projects and reform in the Soviet economy, Reuters reports from Bonn.

Ways to re-invigorate bilateral trade, which declined by 23 per cent in

Bonn government officials during the last few weeks have been expressing cautious optimism about the ability of West German industry to live with a dollar at the level of around DM 1.65. Yesterday, at the midday Frankfurt fixing the US currency declined again to a record low of DM 1.6226, against DM 1.6315 on Friday.

Mr Geiger said he believed export-oriented industry had already gone through the "pain threshold" as a result of the D-Mark appreciation, and said that if the dollar fell further towards DM 1.50 "nervousness will increase."

He called on the US Government to issue foreign currency bonds, following the example struck by the Carter Administration in 1978, as a means of financing the US current account deficit.

Meanwhile, a research study published yesterday identified a dollar rate of DM 1.77 as the level below which the majority of West German companies would either make losses in exports or suffer a reduction in market share.

The survey by the Tübingen-based Wicert Institute was based on the questioning of 3,220 companies.

Professor Hans-Karl Schneider, the chairman of Bonn's independent council of economic advisers, which is forecasting growth of only 1.5 per cent in the Federal Republic next year, said last week that the dollar was currently clearly undervalued.

However, it fell on a permanent basis towards DM 1.50 the Government should give up its cautious stance and decide a full-blooded reflationary programme, including the possibility of additional budget expenditure measures.

1986 and by 24 per cent in the first nine months of this year, will be discussed. Bilateral trade for 1987 as of the end of September totalled DM11.1bn (\$3.7bn).

The Soviet Union is currently involved in 12 joint-venture contracts with the West. Four of these with West German companies.

## Ozal starts to form new government in Turkey

TURKEY'S Prime Minister, Mr Turgut Ozal, yesterday submitted his resignation to President Kenan Evren to begin the procedure for forming a new government following his election victory last month, AP reports from Ankara.

The President duly asked him to set up a new government. The move came a few hours before the opening of a newly-elected parliament.

Emerging from a meeting with the President at the Cankaya Palace, Mr Ozal said that he would try to complete the task before the new year, in the meantime the current government will stay in a caretaker role.

Under Turkey's constitution, Mr Ozal must propose candidates for the ministries for the approval of the President. Once the cabinet is accepted, the Prime Minister must present his government programme to Parliament within a week for a vote of confidence.

Mr Ozal won a new five-year mandate in a general election on November 25. His centre-right Motherland Party received 38.3 per cent of the vote and captured 202 out of 450 seats in the single-house Parliament.

Seven parties put up candidates, but only three parties won enough votes to be represented in Parliament. The Social Democrat Populist Party became the opposition leader with 24.8 per cent of the votes and 99 seats.

Another centre-right party, the True Path Party of Mr Süleymen Demirel, a former Prime Minister, gained 19 per cent of the votes and won 50 seats.

The new Parliament will hold its first session next Monday. President Evren will deliver an opening speech before the 450 deputies take the oath of office.

The Prime Minister returned home on Sunday from the United States. He spent 12 days in Houston, Texas, where he underwent an eye operation.

## Judy Dempsey looks at the price the Austrian People's Party is paying for its support of the President Waldheim affair leaves conservatives fumbling

AS LONG as the bitter controversy surrounding the wartime activities of Mr Kurt Waldheim, the Austrian President, drags on, the more difficult it will be for the Conservative People's Party (OEPV) to reorganise and win an overall majority in a general election.

This is a view now shared, though only privately, by some members of the OEPV, who are frustrated not only about the party's performance in the election of November 1986, which it lost, but also about the extent to which the Waldheim affair has damaged the image of the party.

"We are without direction, we are fumbling in the dark, we have a noose around our necks," was how one OEPV official put it.

During the presidential election campaign in spring 1986 the OEPV unflinchingly supported Mr Waldheim. The more the allegations about his wartime activities became an issue, the more the People's Party rallied around.

Mr Michael Graff, then general secretary of the party, did not hide his criticism of, if not contempt for, the New York-based World Jewish Congress. During the campaign the congress alleged that Mr Waldheim knew about or was involved in the deportation of Jews from Salonika to their deaths in the concentration camps as well as the murder of thousands of Yugoslav

partisans. Mr Waldheim has consistently denied these allegations.

Even more damaging was that the party did not condemn the anti-Semitic sentiments expressed at the time by some of its leading officials.

This lack of discipline was bound to catch up with the party. Mr Graff was forced to resign a fortnight ago, after he gave an interview to *L'Express*, a French magazine, in which he said that if it could not be proved that Mr Waldheim did kill six Jews with his own hands, then there was no problem.

The fall-out also forced the resignation of Mr Carl Hoedl, the deputy mayor of Linz, who several months ago wrote to Mr Edgar Bronfman, president of the World Jewish Congress, comparing the persecution of Mr Waldheim by the congress to the crucifixion of Christ by the Jews.

The party again took no action.

One reason for the inaction is the general election defeat of November 1986. After 17 years in opposition, the party again failed to win power, becoming the junior partner in the Socialist-led coalition.

"There was tremendous disappointment. It damaged the discipline in the party," Mr Josef Taus, a former general secretary of the party, says. The OEPV, unlike the Socialist Party, is a decentralised organisation in which the leaders in the prov-



Kurt Waldheim: accused of complicity in wartime atrocities in the Balkans

inces exercise considerable power.

The loss of the election was also, according to OEPV officials, a "personal tragedy" for Mr Alois Mock, the Foreign Minister and vice-chancellor and chairman of the party. For all his linguistic talents, Mr Mock is regarded as an ineffectual leader, tired, lacking direction and deeply inhibited by the Socialists.

More than electoral defeat has dogged the party, whose share of the vote continues to decline. More importantly, the party failed to respond to changing social patterns in the mid-1960s and 1970s in Austria.

The party's original powerbase was among the small farmers who belong to the OEPV-organised Farmers Federation and the small entrepreneurs, the *klein-*

*burgerlich*, belonging to the OEPV-run Employers' and Trades People's Federation.

As farmers drifted to the towns and took part-time jobs in industry, the Socialist Party quickly seized the opportunity to win new support.

"The OEPV never responded to the changing patterns. They never saw that the small farmer was moving out, the small entre-

preneur was moving to bigger industries. They lost many of their original voters. They missed an opportunity," an OEPV academic commented. The OEPV also lost a large section of the younger generation.

They are now losing the support of intellectuals, a wing represented by Mr Erhard Busek, the former vice-mayor of Vienna, who was defeated in the recent elections. With the Waldheim affair still hanging over the party, the OEPV will find it increasingly difficult to recruit younger academics.

What particularly worries Austrian conservative intellectuals is that the OEPV will be identified, if not with anti-Semitism, then with lack of courage in approaching Mr Waldheim to speak the truth about the past. They fear the present image of the party will smother the liberal wing of the OEPV, largely concentrated in the *wirtschaftsbund*, the economic department.

They also worry that the Carlsberg, an old Catholic conservative students' union which wields enormous influence in the party, will gain greater prominence under Mr Mock, who is a member along with Mr Graff, Mr Helmut Kukacka, the new general secretary of the OEPV, and other top OEPV officials.

That is one of the avenues up to the top of the party, an OEPV economist argued. "It is cliquish and often intolerant."

## Swiss jobs for more foreigners

By John Wicks in Zurich

THE NUMBER of working foreigners in Switzerland has risen to its highest level since 1975, according to a government report. A new anti-immigration referendum is pending.

The report said the total had reached 822,746 by the end of August, as much as 4.5 per cent higher than the corresponding 1986 level and equal to well over a quarter of the entire labour force.

The nationalist party, National Action, is supporting a referendum motion which seeks to limit the number of new residence permits to that of foreigners leaving Switzerland. At the same time, the maximum number of permits for seasonal employees and people coming across the border at work was set at 100,000 and 90,000 respectively.

This proposal, which also seeks to have a maximum overall population of 6.2m written into the federal constitution, was last month opposed by the Federal Council (cabinet), which recommended Parliament to turn it down.

Despite this, and the fact that it is the fifth referendum of its kind since 1970 — all of which have been thrown out by the electorate — it is thought the new version might collect popular support in that it does not foresee any actual expulsion.

In fact, the make-up of the foreign labour force has changed substantially in recent years. Today, no fewer than 578,000 of the total have residence permits, of which nearly 442,000 accord domicile rights. This means that far fewer of the foreign workers intend to return home and that it would be more difficult to send them home.

This would become noticeable in the case of an economic recession. During the slump of the mid-1970s hundreds of thousands of aliens left Switzerland, thus providing a cushion against domestic unemployment. A serious economic setback in future would be much more immediately reflected in the jobless rate.

## Warsaw Pact makes concession on troop cut talks

BY JUDY DEMPSEY IN VIENNA

NATO AND the Warsaw Pact yesterday reached agreement in principle on objectives and methods of a new conventional arms reduction forum.

The two sides, which have been holding informal meetings in Vienna since February to look for new ways to reduce conventional forces in Europe, agreed that only conventional weapons and not nuclear weapons should be included in the objectives and methods. This is something on

which the Nato countries have insisted for several months.

In its draft document on conventional stability, presented to the meeting in July, Nato specifically spelt out its objectives for any new conventional arms talks. These included the establishment of a stable and secure balance of conventional forces at lower levels, the elimination of disparities prejudicial to stability and security, and the elimination of the capacity to launch a sur-

prise attack or to initiate large-scale offensives.

The Warsaw Pact, in its draft plan presented in June, suggested that nuclear weapons be included in any new conventional arms reduction forum.

During yesterday's meeting, however, both sides agreed to strengthen stability and security in Europe through what they referred to as a stable and secure balance of conventional armed

forces which includes conventional armaments and equipment. No mention was made of nuclear weapons, which Western diplomats regard as a breakthrough in these informal negotiations.

The Pact is still insisting that some tactical and nuclear weapons be included in the overall scope of the talks. "But the agreement means a good atmosphere for a new round which starts in the new year," a West-

ern diplomat said.

Even if agreement were reached on this issue, the talks cannot be formalised without a mandate from the Conference on Security and Co-operation in Europe, the framework in which new conventional arms talks would take place. Western diplomats say a mandate would depend on the Soviet Union and Eastern Europe making similar concessions on human rights as well.

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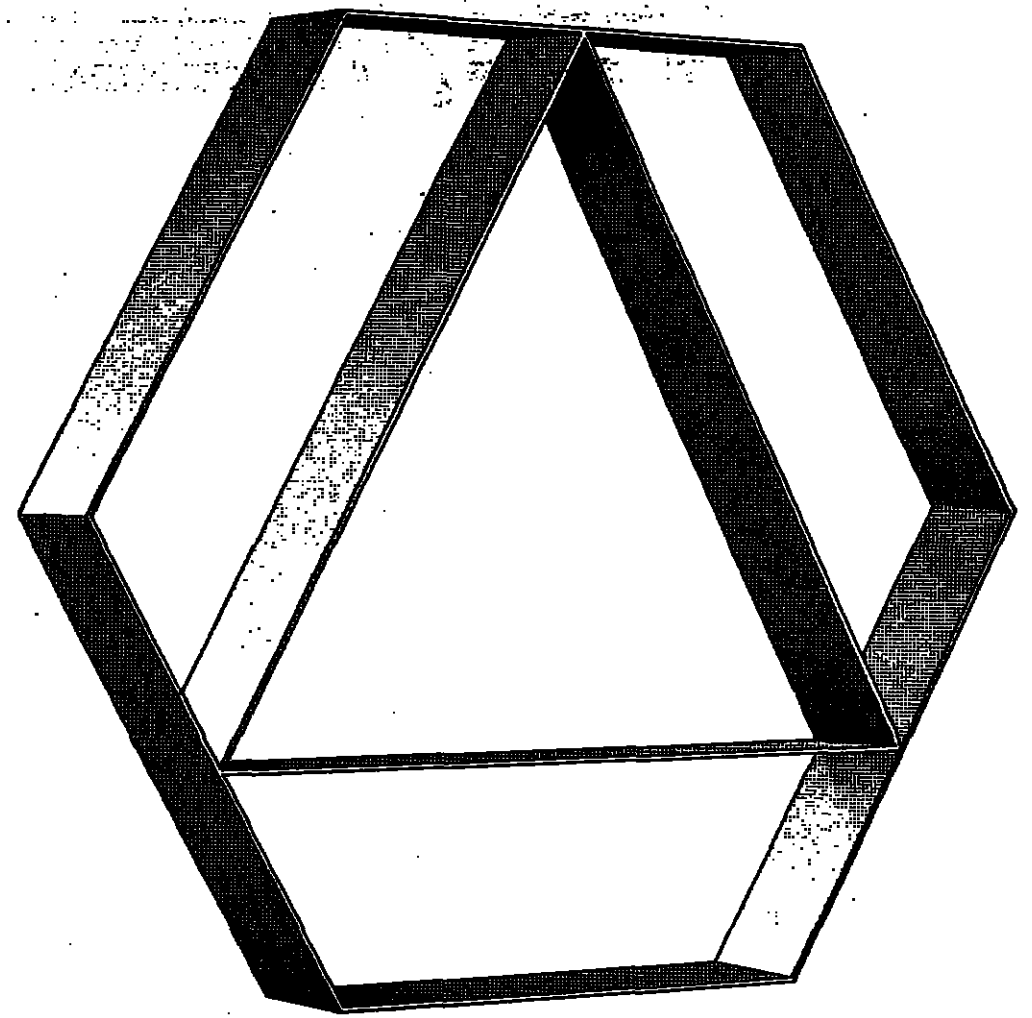
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# AS THE NEEDLE TOUCHED 201.6 Km/h, THE LOUDEST THING IN THE AUDI 100 WAS HERR BECK'S SUIT.

'HERR BECK will be with you in two minutes,' smiled our host, politely closing the doors.

FOR 119 seconds we sat in spacious comfort, peering out morosely at the rain sweeping across the Erha-Lessien test track.

THEN AN immaculate Herr Beck was settling easily behind the wheel. We were off.

'GOOD MORNING,' we chorused, resisting the temptation to add 'Sir.'

THE PROJECT manager, responsible for the overall production of the car we were now sitting in, nodded briefly.

whistle sounded like an amplified wheezy kettle. It was very quiet. A whisper from the windscreen wipers, the murmur of the road...

'I AM increasing the speed,' continued our driver, taking us up to 201.6 kilometres per hour. The engine maintained its gentle hum, Herr Beck his soft, businesslike manner.

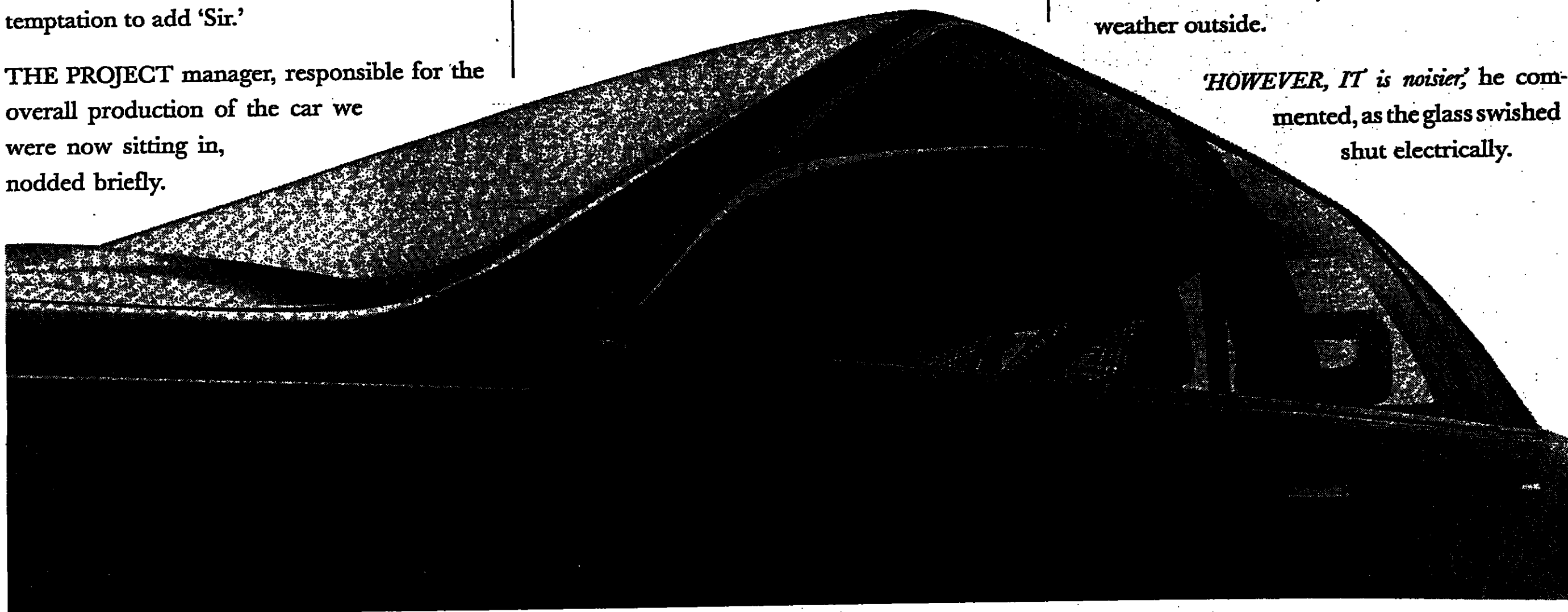
'THE REASONS for the lack of noise are threefold; a

HERR BECK looked thoughtful. We looked askance.

'THE IMPLICATIONS of transverse drag were also considered. The Audi 100 is less susceptible to cross wind buffeting than virtually any other car. Additionally, with a front window open, the overall Cd factor is only increased by a negligible 0.008%.'

HERR BECK opened his window to demonstrate, and we were suddenly aware of the brutal weather outside.

'HOWEVER, IT is noisier,' he commented, as the glass swished shut electrically.



'GENTLEMEN, YOU will observe we are moving at a speed of 100 kilometres per hour. This was achieved in 9.8 seconds.'

TAKEN ABACK, we observed. Closely.

'THERE ARE two points to note. The first is that the intermediate acceleration times of the 100 are, in each case, at least two seconds faster than any of its nearest rivals. Consequently, power is readily available when it is most needed; accelerating away from trouble, for example.'

INVOLUNTARILY WE turned our heads. Only damp and rapidly receding test track met our gaze.

'The second is that'...

'YES?' WE breathed.

'...IT IS extremely quiet.'

MY COMPANION'S attempt at an awe-inspired

five-cylinder, fuel-efficient engine (delivering 42.8 of your miles to the gallon); a coefficient of drag of 0.32; and a meticulous approach to soundproofing.'

WE SUSPECTED that he was about to elaborate. He was.

'I AM sure you are familiar with the five-cylinder engine, pioneered by Audi. The aerodynamic drag factor of the Audi 100 was also an unbeaten first. We are flattered that so many manufacturers have attempted to emulate our aerodynamic designs.'

THE BASIC shape of the car was devised in over 2000 hours of experiment in a wind tunnel, using a scale model of 1:4. This achieved a Cd of below 0.25. On a prototype, Dr Leie assessed the implication for styling, where the drag power, expressed as  $P_L = 12.9 \cdot 10^{-6} \cdot c_w \cdot A \cdot v \cdot (v + v_0)^2$ , would not affect the Cd factor by more than 0.05. The result is the flush mounting of headlamps and windscreen, and the specially developed wipers and mirrors, as you see.'

CALM RESTORED, our man went on. 'While the Cd factor is primarily responsible for the reduced cabin noise, hydraulically dampened engine mounts account for the lack of vibration. The acoustic transmission to the driver's seat is currently around 77 decibels. At, say, 100 kilometres per hour it would be less than normal speech levels. This is helped by special gear box and engine insulation materials developed by Herr Kuiper, our manager of Physics.'

A REMINISCENCE of G-clamps, bunsen burners and physics lessons was interrupted by the inevitable question.

'SO, GENTLEMEN, any queries?'

THANKS TO the Audi 100, we couldn't pretend to have missed a word. Say something, I thought to myself.

'THERE IS one thing, Herr Beck,' I ventured. 'Could you tell me the name of your tailor?'

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## India likely to agree terms on oil exploration

By John Elliott in New Delhi

A CONSORTIUM of Chevron and Texaco from the US is expected to be one of the first of six international oil groups, which will include Shell of the UK, to reach agreement with the Indian Government for long-term offshore oil exploration contracts.

Along with International Petroleum Corporation of Dubai, the consortium is believed to be preparing to initial outline agreements later this week. Broken Hill Proprietary of Australia and Amoco and Albion of the US, as well as Shell, are expected to reach agreements during the next few months.

Only Britain of the UK has dropped out from the original list of seven tenders which last December submitted 12 offers for nine of 27 offshore blocks. Bittell bid for only one block and came third behind Chevron-Texaco and BHP.

Securing agreements with six oil majors would be a coup for India, which failed in its two earlier rounds of offshore exploration tenders to generate much foreign interest. Only Chevron signed up in the first round in 1982, and it withdrew early in 1985 after sinking three dry wells. No company bid in the second round in 1985.

Chevron-Texaco is believed to have won two blocks on the east coast Krishna-Godavari field and one in the smaller Palar field further south. Shell is believed to be negotiating for two blocks in the south western Kerala-Konkan field where BHP is also expected to win one block. IPC, Albion, and Amoco are negotiating for one block each in the Krishna-Godavari and Cauvery fields.

The contracts will run for 25 years, extendable to 30 years, with the companies having the right to withdraw during the first five years after carrying out seismic surveys. Terms for profit-sharing on crude oil and gas are being finalised and the Indian government is believed to be prepared to drop its earlier insistence that arbitration should take place in India.

The country urgently needs big finds to expand its annual domestic crude oil production. Major oil and gas discoveries in the Bombay High field led to rapid growth in the early 1980s but this has stagnated at around 30m tonnes of crude a year. This year's output target is 30.46m tonnes.

The Government has abandoned hopes of India becoming self-sufficient in oil by 1990. Domestic demand is increasing faster than production and is expected to more than double to 90m-95m tonnes of petroleum products by the year 2000.

## Portuguese shop chain in Moscow venture

By Diane Smith in Lisbon

SOVIET shoppers next year will be able to buy Portuguese household goods, food and wines in the first store in Moscow to specialise in West European goods for the public in exchange for roubles, as opposed to the exclusive hard currency 'beriozka'.

A joint venture has been set up between Planco, the Portuguese trading company tied to the Pao de Acucar supermarket chain and the Soviet trade authorities, whereby Planco will supply goods, management know-how and technical facilities to a new supermarket in a prime Moscow location.

Details are being negotiated for the quantities and types of goods to be supplied from Portugal which has a \$5m surplus in its modest trade with the Soviet Union. The Soviet authorities are seeking a strong element of barter trade. The store could involve supplies worth around \$100m a year, which would have a big impact on the pace of bilateral trade.

Planco is already involved in an East European shop venture, in Warsaw, where its Lisbon hard currency store was inaugurated in March. It offers Portuguese specialties such as sardines, wine, cheeses, tiles and ceramics, cork goods and household wares.

## Peter Montagnon looks at US attempts to remedy a substantial trade imbalance Asia's export 'tigers' resist revaluation

"WE HAVE had a measure of success with Taiwan, but nothing like enough. We have been rather dramatically unsuccessful with South Korea." This is how Mr David Mulford, Assistant US Treasury Secretary, characterises the results of the discreet campaign waged by the Reagan Administration for more than a year to persuade the main developing countries of Southeast Asia to revalue their currencies.

Since a speech in San Francisco last month in which Mr Mulford delivered a stinging rebuke to these countries for failing to take their part in helping to reduce global payments imbalances, the campaign has suddenly become more public and more earnest. It is easy to see why.

Taken together the trade surpluses with the US of the four Asian 'tigers' - South Korea, Taiwan, Hong Kong and Singapore - amounted to \$23bn in the first eight months of this year. It is, says Mr Mulford, the area of greatest deterioration in overall US trade.

"We continue to see substantial deterioration and no sign of an improvement." In recent months, moreover, the pace at which their currencies have been rising has slowed and is now well behind that of Japan and West Germany.

Between the end of June and December 4, Mr Mulford says, the South Korean won rose by only 1.7 per cent against the dollar. Hong Kong's currency, which is linked to the dollar was unchanged, the new Taiwan dol-

lar rose by 5.9 per cent and the Singapore dollar by 4.6 per cent. By contrast the D-Mark rose 9.5 per cent and the Yen 11.1 per cent.

These may be disappointing figures for the US, but they betray a deep concern in the four countries that forced revaluation might undermine at a

stroke the flow of exports to the US on which they all depend to a large degree for their economic success.

Some have specific reasons for resisting. South Korea can point to the risk of upsetting its economy in the run-up to this week's presidential elections. Hong Kong renewed worry about financial confidence after the temporary closure of its stock market in the wake of October's share price collapse. Yet all are concerned that unilateral appreciation would play into the hands of competitors, allowing valuable exports and jobs to shift to countries elsewhere in Asia with smaller appreciations in their currencies.

It is a worry, however, that Mr Mulford brushes aside. South Korea and Taiwan, he says, are simply too dependent on the US for their own good. Last year exports to the US were equivalent to 27 per cent of Taiwan's gross national product. The figure for Korea was 15 per cent.

"For these small countries to be that dependent seems to us unhealthy for them," he says. Taiwan's total balance of payments surplus on current account will be equivalent to 20 per cent of GNP this year, that of South Korea 8 per cent. In relative terms their surpluses will dwarf those of Japan and West Germany, which are both expected to stand at around 4 per cent.

Mr Mulford draws a sharp distinction between South Korea and Taiwan, whose economies, he says, are still heavily protected and over-reliant on exports, and Hong Kong and Singapore, both of which pursue free trade policies. The latter have, however, both been drawn back into the argument.

In the case of Singapore this is because its trade surplus with the US grew by 65 per cent in the first eight months of 1987. Hong Kong has produced strong arguments to justify the peg which keeps its dollar stable at HK\$7.80 per unit of US currency. It says it needs a fixed rate to protect its economy from the risk of politically-induced instability in local financial markets. Officials argue it should escape pressure from the US on its exchange rate because its economy is so open. Lumping it together with other countries



Mulford: some success

means there is less incentive for them to unwind protectionism and open their economies to imported goods.

But Mr Mulford argues that the other countries are themselves using Hong Kong's fixed exchange rate advantage as an excuse for delaying their own upward adjustment. The British colony's policy has become a focus of resistance to change elsewhere in Asia. "All the major trading nations which are beneficiaries of the open trading system have some responsibility to contribute to a reduction of global imbalances," he says.

The signs are, however, that the 'tigers' will continue to resist this responsibility, although Taiwan, whose \$75bn reserves are equivalent to three years' imports, has stepped up its rate of appreciation since US pressure became more public. For all of them short-term worries about economic dislocation are still a big deterrent.

According to Mr John Williamson of the Washington-based Institute for International Economics, such worries are overstated. "You don't want to force these countries into a wrenching adjustment. It should be a determined process aimed at getting the surplus down. That doesn't have to be catastrophic for their economies," he says.

Mr Williamson was co-author of an IIE study of the 'tigers,' published earlier this year, which called on the four countries to let their currencies appreciate by 10 to 15 per cent in real terms.

So far, like Mr Mulford's exhortations, it has fallen largely on deaf ears. Indeed, the signs are that awareness of the advantage of a currency link to a weakened dollar is spreading. Thailand is generally regarded as one country which could benefit strongly in terms of investment and exports from a revaluation by the four Asian 'tigers'.

Last week Mr Chavalit Thanasakarn, deputy central bank governor, said "Thailand would not change its policy of linking the exchange rate of the baht to the dollar despite the weakening of the US currency. It would be in Thailand's interest," he said, to maintain the existing exchange rate policy.

## Kiwifruit explosion worries US growers

By Louise Kehoe in San Francisco

THE kiwifruit, which graces so many dishes, may provide the seeds of a new trade dispute between the US and the European Community.

California kiwifruit growers have accused Italy and other EC producers of unfair trade practices and formally requested a US government investigation.

Their action is seen as a preliminary move to filing a trade complaint. The US kiwifruit growers' concerns centre on a major expansion of kiwifruit growing in Europe, much of it subsidised by governments.

In the past year, Italy has overtaken the US as the second largest producer in the world, after New Zealand. According to the US growers, Italy has provided subsidies to growers in a move to cut surplus wine grape production. "What we want is free trade, but we are facing unfair competition from subsidised foreign producers," said a spokesman for the California Kiwifruit Commission, which represents growers in California who produce about 98 per cent of the US crop.

"If we have fair trade, then the kiwifruit could become the next banana of the world, but European government subsidies, if unchecked, will create an artificial surplus," the US growers argue.

Half of the US kiwifruit crop, which this year is expected to have a retail value of about \$110m, is exported. The US growers claim, however, to be losing market share in Europe to local, subsidised producers.

The kiwifruit has enjoyed an enormous boost in popularity recently. US consumption has grown by 1,000 per cent in the past five years, the growers say.

In the US, domestic growers share the market with imports from New Zealand. Fortunately for both parties, different growing seasons conveniently provide year-round supply. The California crop is harvested in October and sold through May, while New Zealand's kiwifruit begins to arrive in June. In Europe, however, the US growers must compete with an autumn crop.

## Aircraft repairs setback for European airlines

By Peter Montagnon, World Trade Editor

HOPES of European airlines that they might soon obtain increased freedom to do repair work for US counterparts were jeopardised at the weekend when the House of Representatives passed legislation blocking a liberalisation plan put forward by the Federal Aviation Administration.

The legislation was carried as an amendment to the fiscal 1988 continuing appropriations resolution and has the support of US trade unions. It has upset the European airlines which have been working since early 1986 to persuade the FAA to adopt a more liberal stance.

It was passed despite an 11-nation protest to the State Department led by the Netherlands last week. European Community officials say that the measure is expected to introduce mirror legislation if it is adopted in a Senate/House conference due to start today.

Aircraft maintenance has been in contention since the FAA became more restrictive in authorising foreign repair work early last year. US law states that US-registered aircraft must be repaired and maintained by US personnel, but the FAA can authorise foreign repair for aircraft operating internationally.

Industry executives fear that if the House legislation is enacted non-US airlines will cut back on maintenance in the US.

This would place US jobs at risk since the US has a surplus in aircraft maintenance. According to Congressional testimony earlier this year Lufthansa buys \$12m annually in US repair services, while selling only \$7m to US carriers. British Airways spent \$11.2m in the US, but earned only \$5m in maintenance work for US carriers.

## EC ready to sign trade agreements with Israel

By Tim Dickson in Brussels

TRADE, technical and financial agreements between Israel and the European Community - negotiated to take into account enlargement of the EC last year - are expected to be signed today after EC Foreign Ministers finally gave their go ahead last night.

The issue is believed to have been linked by certain member states - notably Britain and Greece - to finding a satisfactory solution to the problem of Palestinian agricultural exports to the Community from the so-called Occupied Territories.

Until now these have had to be channelled through Israel, but exporters in the West Bank and the Gaza strip will be able to make their own commercial arrangements direct with Community importers under a deal agreed between the European Commission and Tel Aviv.

Mr Claude Cheysson, the EC Commissioner responsible for relations with the Arab states, said yesterday that the agreement was a "major foreign policy outcome" and that the new arrange-

ments would be closely monitored. Another complication is the contentious Israeli system for valuing imports for tax - known as Tamah - which the Community claims is discriminatory and wants removed within a reasonable time.

A plan to help companies in the EC compete in the market for advanced telecommunications won formal backing from Community foreign ministers yesterday, Reuters reports from Brussels.

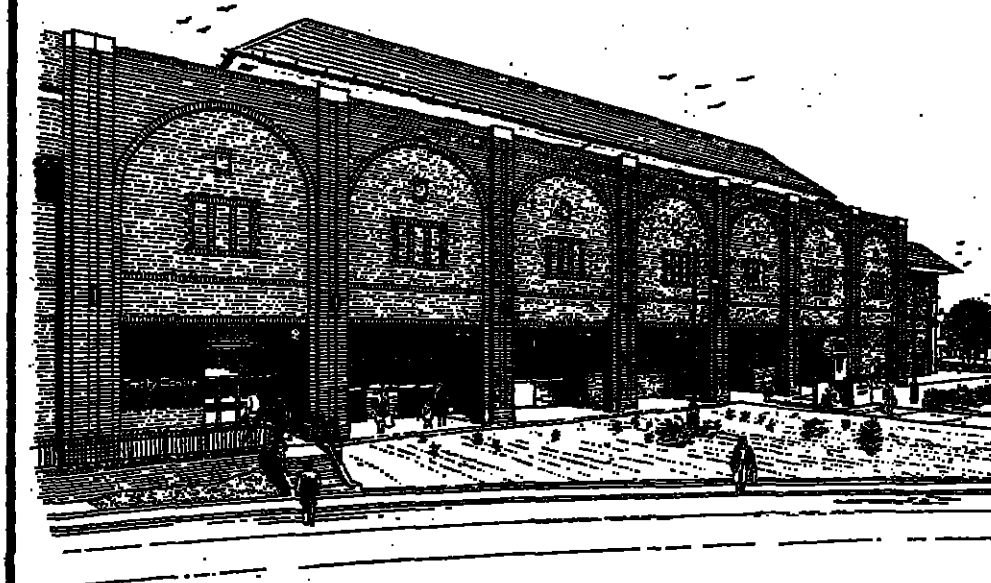
The plan, known as Research and Development in Advanced Communications, is part of a five-year scheme to boost the Community's performance in high-technology and to counter competition from the US and Japan.

The Community will spend \$500m European Currency Units (\$700m) on the scheme to co-finance research projects with industry on the use of advanced technology to transmit voice, data and images at high-speed and low cost.

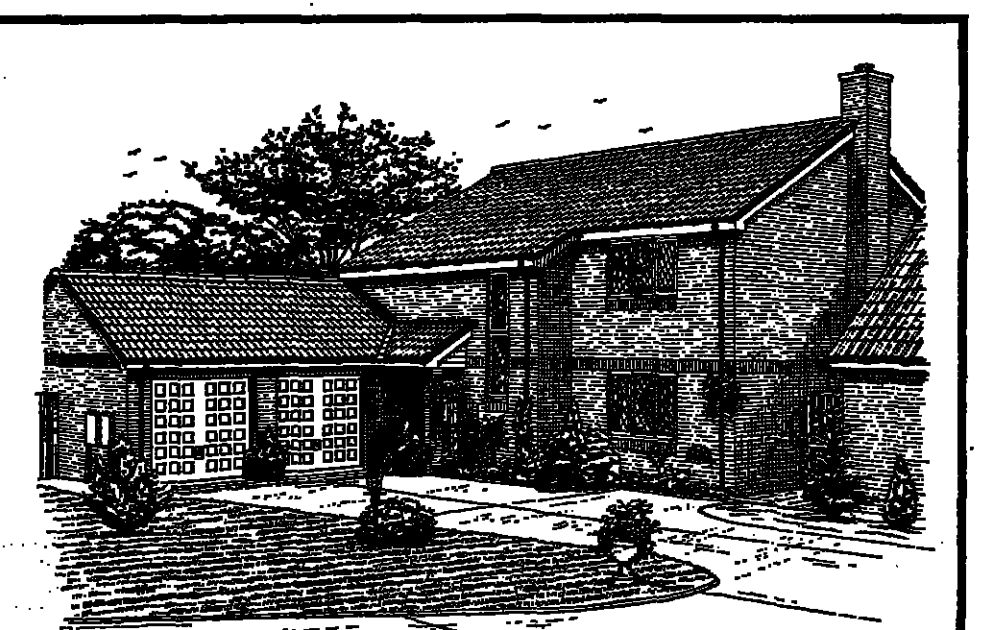
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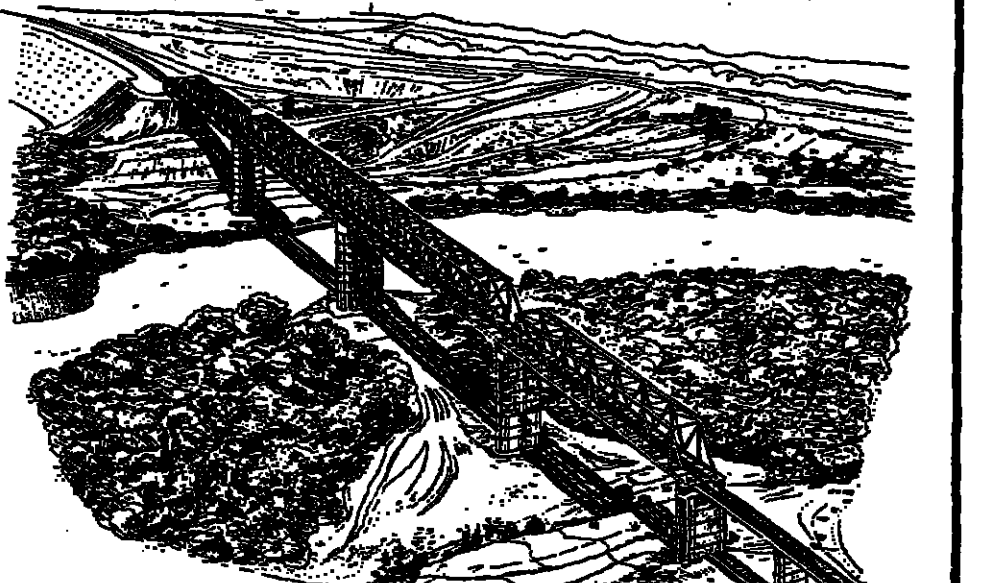
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## OVERSEAS NEWS

## Gorbachev intervenes in Asean summit

By Richard Gourlay in Manila

SOVIET LEADER Mr Mikhail Gorbachev, fresh from his successes in Washington, yesterday wasted no time in intervening in the Association of South East Asian Nations summit meeting in Manila to encourage a solution of the Kampuchean conflict.

"Indisputably, the political settlement of the conflict around Kampuchea would contribute to a considerable degree to establishing a lasting, stable peace in South-East Asia," Mr Gorbachev said in a message to Philippine President Mrs Corason Aquino, who is chairing the summit.

Mr Gorbachev's intervention in Asean's first summit meeting in 10 years comes 18 months after he launched an effort to foster better relations with countries in the Pacific rim.

Last Friday, talks between Prince Norodom Sihanouk, the Kampuchean resistance leader, and Hun Sen, Prime Minister of the Vietnam-based government in Phnom Penh, broke down after an apparently successful meeting in France.

It is unclear why Prince Sihanouk called off further talks with Hun Sen, however, neither mentioned two other resistance groups in Kampuchea, including the former regime of the Khmer Rouge, nor did it refer to a withdrawal of the estimated 100,000 Vietnamese troops occupying the country.

Although the leaders of Thailand, Malaysia, Indonesia, the Philippines, Brunei and Singapore were meeting for the first time in 10 years, their closed-door session lasted less than 20 minutes. They will sign a joint statement today which although long on the rhetoric of greater economic cooperation within the region is short of actual pledges as to how this should be achieved.

Possibly the most significant result to emerge from the third summit in Asean's 20-year history will be the sharing of a proposed new \$2bn aid fund for the region. Mr Norburo Takeshita, the Japanese Prime Minister, arrives in Manila today for bilateral talks with the Asean leaders and is expected to reveal details of the aid package.

More than half of a \$1bn fund launched by the Japanese for regional economic development and import substitution projects 10 years ago is still unused.

Robert Thomson in Peking reports on a strange last-minute change of plan

## Riddle of the vanishing exhibition

THE CASE of the disappearing exhibition has been exercising the minds of Chinese leaders and newspapers in the past few days, and now threatens the tenure of a senior minister and a collection of lesser officials.

In a show of China's new-found "openness", the Light Industry Ministry proposed in August that the first national exhibition of inferior industrial products be held in mid-December and invited the masses to suggest suitably shoddy items for public display.

Unfortunately for the ministry, many of the suggested products were from factories under its jurisdiction and to exhibit them would invite ridicule and, in these days of "responsibility reform", would perhaps result in an overhaul of the ministry and the friendly factories. So the exhibition disappeared.

But the cause of consumerism counts for something in the new China, and the thousands of disgruntled householders who initially wrote to the ministry then turned to the Chinese press for assistance. Curiously, newspapers have become zealous defenders of consumer rights as, in the interests of change and of cultivating popularity, the Communist Party has decreed that flawed factories and corrupt officials are fair game.

"To call off a much-publicised exhibition at the last minute will go down in history as a farce for the Ministry of Light Industry," the official news agency, Xinhua, reported. The influential Economic Daily said the ministry's actions were a "humiliating disgrace" for consumers, who would find it difficult to overcome their ridicule for and disappointment with the sponsors.

It seems that ministry officials sympathetic to particular factories would not be shown, while files were tampered with and letters from irate consumers destroyed. A few factories, fearing that their "famous brands", as the Chinese call them, would become infamous, threatened to close if the event went ahead.

A few weeks ago, a consumer with the ministry alerted a television station to the shoddy products stored in a warehouse, and, unbeknown to senior ministry officials, a report highlighting the planned exhibition was screened. This further frightened the factories, which again intimidated the ministry. The ministry then said officially there were not enough display items to justify holding the exhibition.

The Light Industry Minister, Mr Zeng Xianlin, maintains that some shoddy goods had been "exhibited" at consumers' homes and that a video profiling poor quality goods would be made. These responses meant an exhibition was unnecessary, said Mr Zeng, whose future is under serious threat from consumer crusaders.

Obviously for the minister, Xinhua noted that "the ministry's dilemma represents contradictions that have arisen in the course of the new replacing the traditional through the current reforms." While consumer contradictions are not the contradictions Karl Marx had in mind, the agency complained that Chinese consumers lacked legal protection, and their requests for replacement products and letters of complaint were generally ignored.

## International aid helps cyclone-hit Solomons

BY JOHN MADELEY, RECENTLY IN THE SOLOMON ISLANDS

AN UNUSUAL EFFORT in aid co-ordination is helping the Solomon Islands to recover from the devastating cyclone Nami which flattened its economy in May 1986.

The cyclone caused widespread flooding, massive landslides, obliterated roads and left a third of the 280,000 population homeless.

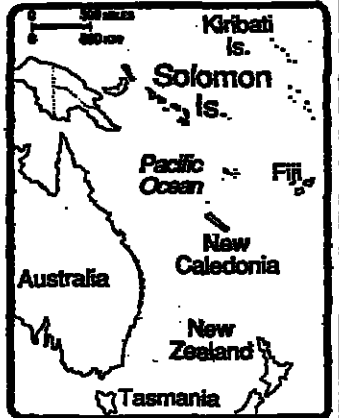
Total damage amounted to \$182m-27m (\$12.6m-13.6m), equivalent to 13 per cent of the country's national income. Estimates suggested that up to 15 per cent of oil palm production, 30 per cent of copra and 25 per cent of coconuts would be lost in the three years following the disaster, leading to a doubling of the country's foreign exchange deficit.

While cash crop output is taking time to recover, aid for the worst affected areas is still inaccessible by road, the rehabilitation effort is running ahead of schedule.

The government of the Solomon Islands applied for \$18m in aid for 30 rehabilitation projects. Donors, including Britain, Australia and New Zealand, and United Nations agencies and the EC, soon responded but the problem was how to co-ordinate the aid.

The United Nations Development Programme, which co-ordinates UN development projects worldwide, took on the task of helping to co-ordinate rehabilitation aid from all donors.

Donors were asked to agree to



let their normal rules and regulations be secondary to the urgent need of the Solomon Islands for an integrated programme that operated without delay.

"The programme today," says UNDP official Mr Ross Mountain, "is a tribute to a co-ordinated aid effort. It is a key reason why so much has been achieved."

Under a self-help housing reconstruction project, aid donors are supplying technical aid and materials and local people are doing the rebuilding. Technical experts from the International Labour Organisation are training islanders in the techniques of making their homes stronger to give them a better chance of standing up to future cyclones.

## India may purchase Soviet N-sub

By John Elliott in New Delhi

INDIA is believed to be expecting to take delivery soon from the Soviet Union of its first nuclear-powered submarine, which would dramatically expand its naval power in the Indian Ocean.

No official announcement of a purchase has yet been made but it is understood India had hoped to take delivery of at least one such submarine by the end of this year. The Soviet Union is India's biggest single foreign supplier of defence equipment.

Since the late 1960s, India has built up a fleet of eight Soviet Foxtrot class conventional submarines. This is now being expanded with two Type 1500 vessels bought from HDW of West Germany, plus two ordered in 1980 to be built in India by 1990.

Senior government ministers and top naval officers have indicated on several occasions in recent years that India is interested in a nuclear powered submarine, but they appear reluctant to confirm a specific order until they are sure that the Soviet Union will definitely deliver the vessel.

Recent newspaper reports in India suggest that delivery of a vessel named the Chakra, which would carry conventional, not nuclear, weapons, has been expected last month or this month, but may have been delayed for technical or other reasons.

India staged what it called a peaceful nuclear device 13 years ago and now insists it does not have a nuclear weapons programme. But it has threatened to reconsider this policy if Pakistan is proved to have a nuclear weapons arsenal.

India recently acquired its second aircraft carrier from the UK which it is equipping with British Sea Harrier jump jets and Sea King helicopters. The first Indian-built aircraft carrier is scheduled for completion in 1997.



Kim Dae-jung releases a dove during a campaign rally

## S Korean minister offers to resign as poll fears grow

BY MAGGIE FORD IN SEOUL

A SOUTH KOREAN Cabinet Minister offered to resign yesterday after he was accused of trying to influence voters in tomorrow's presidential election. Police also announced that a vice-president of one of the opposition parties was likely to be charged with breaking the election law.

As claims grew that a rigged election is in prospect, journalists at the state-controlled television station went on strike demanding to be allowed to pursue their work free of censorship.

Mr Kim Dae-jung, one of the two opposition candidates, is a brief foreign envoy today on ruling party activities which he claims are likely to prejudice the election results.

Mr Lee Kyu-hyo, the government minister, who was in charge of construction, denied accusations that he had tried to influence the result in favour of the government's party. He had been speaking in Pusan, South Korea's main industrial city last week. In the adjacent province, stronghold of the ruling party candidate, police announced that a local council chief had been arrested for trying to bribe voters after one of the opposition parties had complained.

Undecided voters were yesterday watching for any trend which might provide guidance about mainstream intentions, which seemed to be leaning against Mr Roh Tae-woo, the ruling party candidate, and towards his two rivals, Mr Kim Young Sam and Mr Kim Dae-jung.

Those voters who had decided to support the opposition likewise received no guidance from a minor candidate, Mr Park Ki Hwan, who stepped down yesterday advising his followers simply to vote against Mr Roh.

Vendors of videotapes showing foreign television film of the government suppression of the 1980 uprising in the city of Kwangju, home area of Mr Kim Dae-jung, appeared to be doing brisk business.

Queues of people have waited to watch the film at Seoul's main Catholic cathedral since the weekend. Facts about the episode have been covered up by the government for the past seven years.

Wider understanding of the incident might boost the chances of Mr Kim Dae-jung just as the revelations about the role of Mr Roh in the 1979 military coup which brought the present regime to power has benefited Mr Kim Young Sam.

Rumours were circulating in Seoul last night that the woman suspected of being involved in the mysterious disappearance of the Korean jet airliner off Thailand two weeks ago might shortly arrive in Seoul. Her appearance, amid speculation that she could be a North Korean terrorist may have a beneficial effect on support for Mr Roh.

## Hearings begin for US judge nomination

By Lionel Barber in Washington

PRESIDENT Ronald Reagan's third-choice nominee to the US Supreme Court, Judge Anthony Kennedy, was due to testify to the Senate Judiciary committee yesterday in what are expected to be relatively smooth confirmation hearings.

Kennedy, a 51-year-old federal judge from California, has aroused some of the opposition of Mr Reagan's two earlier nominees, the feverish right-wing intellectual Judge Robert Bork, and Judge Douglas Ginsburg whose candidacy lasted a mere nine days after he admitted smoking marijuana at law school.

Judge Kennedy, a graduate of Stanford and Harvard Law School, has been a judge for 11 years. President Reagan has said that he is the conservative Bill, but Judge Kennedy is very different from Judge Bork, whose well-publicised criticisms of abortion, privacy rights and precedent delayed his nomination.

The nomination has proved contentious because the nine-member court is finely balanced on social issues between an ageing liberal wing and a newer, conservative bloc.

The controversy over who should be given the ninth "swing" vote on questions such as the constitutional relationship between church and state and affirmative action for minorities has left the court with a vacancy for seven months.

The American Bar Association - deeply split over the Bork nomination - has given Judge Kennedy its highest approval rating. The coalition of liberal interest groups which mobilised to stop Judge Bork has largely remained silent.

White House aide

PRESIDENT Ronald Reagan is to nominate Army General William Burns as director of the US Arms Control and Disarmament Agency to succeed Mr Kenneth Adelman, the New York Times said yesterday. Reuters reports. He helped negotiate the intermediate nuclear forces treaty.

## AMERICAN NEWS

## Defector in propaganda blow to Nicaragua

BY LIONEL BARBER IN WASHINGTON

THE US State Department is using a top-level Nicaraguan defector in efforts to pressure Congress to approve further US aid to the Nicaraguan Contra rebels and steal a propaganda march on the Sandinista Government.

Mr Roger Miranda Benegoechea, who defected six weeks ago, was a senior aide to the Nicaraguan Defence Minister Humberto Ortega. His revelations that the Sandinistas have laid plans for a massive military build-up on the back of Soviet aid received front-page treatment in most US newspapers yesterday.

The revelations are a propa-

ganda setback for the Sandinistas at a time when the Central American peace plan calling for a ceasefire in the region is delicately poised. This week, members of the House no voters in Congress are due to consider a Senate-approved \$8m of non-military aid for the Contras. The Administration had requested \$28m in non-letah aid.

Mr Benegoechea says the aid is justified to prevent the Contra rebel forces disintegrating while they attempt to bring the Sandinistas to the bargaining table. Stop-gap funding for the Contras runs out tomorrow.

Mr Miranda's American news organisations selected by

A second round of ceasefire talks scheduled for yesterday between the Nicaraguan Government and US-backed Contra rebels has been postponed, church and diplomatic sources said. A church source said the talks, the result of a regional peace summit in Tegucigalpa, had been called off after the Government asked for more time to prepare a team of technical experts.

The State Department that the Nicaraguan Government planned in 1980 to build a standing army

of 500,000 (including active combat troops and reserves) by 1985, about double its present size.

The Sandinistas are also said to have promised supplies of Soviet SA-7 anti-aircraft missiles to leftist Salvadoran rebels last October, after they signed the regional peace accords. He said the Sandinistas are expecting deliveries of Soviet MIG fighter aircraft and Hind helicopters by 1991.

Some analysts cast doubt on whether the Soviet Union wants to increase military supplies to Nicaragua, in particular items such as MIG aircraft. The US has warned the Soviets on several

occasions that it would not tolerate such a move.

On Saturday, in an apparent attempt to pre-empt the Miranda disclosures, Mr Roberto Ortega said his government was engaged in a long-term military struggle aimed to put an end to the 10 years of US-backed Contra rule. President Daniel Ortega subsequently clarified his brother's remarks, claiming they were only a "proposal" and the Nicaraguan Government still supported the regional peace plan.

One senior Senate aide said yesterday plans for a 600,000 standing army were inconceivable given the devastation of the Nicaraguan economy.

## Bresser ready to quit if fiscal package rejected

BY IVO DAWWAY IN RIO DE JANEIRO

THE POLITICAL future of Mr Luiz Carlos Bresser Pereira, the Brazilian Finance Minister, is in the balance with the presentation of a new package of fiscal measures and public spending cuts.

The minister made clear at the weekend that he would be obliged to resign if President Jose Sarney insisted on lessening the impact of the proposals, which aim to raise tax revenues and curb the public sector deficit.

Mr Bresser said: "I have always been ready to go, if I am not able to do what needs to be done," he said.

The President is due to examine a final draft of the package today before its publication, possibly on Thursday.

Resistance to the widely-leaked measures is considerable, however. While the President and several leading state governors have pledged broad backing to Mr Bresser, few are in doubt that he will meet fierce criticism when the details are published.

A broad coalition of congressmen from left to right have already challenged the minister's planned restructuring of tax bands.

In general, the left favours plans to impose a larger burden on the wealthy while reducing

tax on the poor. However, it objects to deep cuts in government expenditure. The right takes the reverse position.

Leaders of both factions, however, have united to challenge the government's intention to push through the measures by decree law instead of submitting them to congress for approval. Mr Bresser says the public sector deficit - unofficially forecast at some 6.5 per cent of GDP this year - leaves no time for debate.

Amidst the measures said to be under consideration by the finance ministry are a radical reduction in subsidies to regional development agencies and farm products as well as the privatisation of up to 20 state companies.

The proposals put both Mr Sarney and Mr Ulysses Guimarães, leader of the majority Democratic Movement Party (PMDB), in a dilemma. The President has repeatedly promised that he intends to govern without extensive consultation with the parties following their previous, often successful efforts to block tough economic measures deemed urgent.

Mr Guimarães must choose between backing the government and losing congressional support or opposing the proposals and again facing charges of failing to accept the responsibility of power.

## Debt-swap plan start-up

BY TIM COONE IN BUENOS AIRES

ARGENTINA's debt-for-equity swap scheme has at last been set in motion with the publication at the weekend of the tender conditions for the first quota of \$50m.

To participate in the tender, which closes on January 11 next year, the bids must accept a minimum discount of 25 per cent on conversion of the debt paper into local currency and have approval from the economy ministry.

Such approval depends on the project meeting certain conditions regarding an increase in the output of goods or services and its effects upon the country's balance of payments.

Within the \$50m quota, \$3m is reserved for small- and medium-sized projects in which a smaller discount will be accepted. The scheme was first aired in

1986, but met with opposition over a clause which required an additional US dollar of fresh investment for every US dollar of debt paper swapped. That condition was dropped last October and now up to 70 per cent of an investment project can be financed through debt-for-equity swaps. Imported goods, however, require separate funding and cannot be financed through the scheme.

Local bankers say there has been much interest but it has not been revealed how many projects have passed the ministry's eligibility test.

The scheme envisages \$1.9bn of swaps over the next five years which will be adjudicated every two months and a discount rate fixed according to the priorities of the government's monetary policy.

## White House aide

BY TIM COONE IN BUENOS AIRES

PRESIDENT Ronald Reagan is to nominate Army General William Burns as director of the US Arms Control and Disarmament Agency to succeed Mr Kenneth Adelman, the New York Times said yesterday. Reuters reports. He helped negotiate the intermediate nuclear forces treaty.

Leaders of the free elections campaign argue that given the regime's poor showing in most opinion polls, the broader the public participation in the plebiscite, the more difficult it will be for the authorities to claim vic-

Mary Helen Spooner looks at a new campaign for free elections

## Chile relearns the electoral game

A NEW Chilean card and board game, *Elecciones Libres*, is not the country's answer to Trivial Pursuit, but an exercise in civic awareness.

A multi-party organisation promoting free elections and voter registration has distributed about 5,000 copies of the game, designed to stimulate discussion of public issues, government and politics. A young volunteer at the Free Elections Committee headquarters said the games were being distributed to local neighbourhood leaders and church groups around the country and that the response had been overwhelmingly positive.

"We have had 14 years of dictatorship and a lot of Chileans have never voted or have practically forgotten what it means to vote," the volunteer, who asked for his name not to be used, said. "The game is an effort to correct this situation."

Chile's military regime is planning a plebiscite next year in which a single Government candidate will stand in a "yes or no" vote. If this candidate - who could be General Augusto Pinochet - wins a majority in favour, he will serve for an eight-year term ending in 1997.

After years of internal dissent over strategy and tactics, Chilean political parties have finally settled on a shared goal of promoting free elections - a goal which seems unlikely to be achieved before next year's plebiscite - while encouraging as many Chileans as possible to register to vote.

Leaders of the free elections campaign argue that given the regime's poor showing in most opinion polls, the broader the public participation in the plebiscite, the more difficult it will be for the authorities to claim vic-

tor. To date nearly 3m have signed up to vote and Mr Juan Ignacio Garcia, director of Chile's election administration, predicts that the current rate of registration there should be 6.5m - 81 per cent out of a total population of 12.5m - by next June. The current level of voter registration is equal to that of Chile's previous voters lists, which were burned by the military following the 1973 coup, and means that a higher percentage of Chileans are likely to vote in the plebiscite than in any previous election.

A diplomat in Santiago described the free elections movement as the most credible opposition effort yet and noted wryly that its leaders had "managed to avoid arguing in public."

Mr Andres Zaldivar, the vice-president of Chile's Christian Democrats, recently predicted that when the regime holds its plebiscite, opposition groups would be able to mobilise 150,000 poll watchers to ensure that no vote-rigging takes place.

Nevertheless, Chile's opposition political parties have yet to agree on an alternative programme for government to present to voters.

In addition, there are signs that the Pinochet regime has been more successful in getting its adherents to register to vote than have its opponents.

One opinion survey circulating among opposition leaders indicates that while half of all Pinochet regime supporters have signed up to vote, only one in every three Chileans who said they would cast either no or blank ballots had registered.

According to this survey, had the plebiscite been held at the end of October, when 2.8m people were registered to vote, the



Gen Pinochet: hinted at an earlier plebiscite

Government candidate would have won a slight majority, winning 53.4 per cent of the vote. By the end of November 3.8m people had registered.

These percentages are likely to change in the coming months as voter registration increases, a statistical shift the significance of which is not lost on the Chilean authorities.

Earlier last month Gen Pinochet, speaking to a gathering of supporters, hinted that the plebiscite could be held months earlier than the most frequently mentioned date, September 11. This suggestion was rejected by the commanders of Chile's navy and air force, who are both known to favour a civilian as the Government candidate in the plebiscite.

Gen Pinochet will do any thing, including electoral fraud, to maintain himself in power, Mr Zaldivar said. He called on

Chileans to support the opposition's programme for an executive government, not yet completed but due to be announced within the coming weeks.

Admiral Jose Merino, commander of the navy, said there would be no plebiscite before September nor before the military junta selected a candidate. General Fernando Matthei, commander of the army, also opposed moving the date for the plebiscite. He said the country's political parties should be given time to organise and that the Chilean people needed time to reflect on the choices they faced.

To suddenly announce an early plebiscite would mean a lack of "seriousness" and "would not be accepted by the Chilean public, much less the rest of the world," he said.

Gen Matthei added that while the junta had not discussed the date or possible candidates, there was an agreement among junta members that if the candidate were chosen from their ranks they would abandon their military command and govern during the new presidential period as a civilian.

The Chilean army's position in this matter is less clear, though there have been unconfirmed reports that some officers are uncomfortable with Gen Pinochet's frequent trips around the country, which his critics view as a thinly-disguised presidential campaign.

On November 16 General Manuel Bursos, the Chilean army chief of staff, said he wanted to see a military man as the Government's presidential candidate and that his own personal preference was Gen Pinochet, "because our commander-in-chief is extraordinary."

## November US output up 0.4%

OUTPUT at factories, mines and utilities climbed 0.4 per cent in November, indicating that industry felt no immediate adverse effects in the first month after the level of stock market collapse, the level of government said yesterday. AP reports from Washington.

The Commerce Department said the increase in industrial output followed an even stronger 0.9 per cent jump in October, which had been the biggest increase since July.

Industrial production had fallen 0.3 per cent in September. The October increase was about in line with expectations, although the government did revise up the October performance from an originally reported 0.6 per cent increase.

Industrial production in November was 0.4 per cent higher than the level of activity a year ago. US industry has exhibited a rebound this year as the falling value of the dollar has made American products more competitive on overseas markets.

Output at American factories climbed 0.4 per cent last month. Manufacturing output had increased 0.3 per cent in October.

Output of consumer goods was up a small 0.1 per cent last month and has shown little change since August.

Motor cars were assembled at an annual rate of slightly more than 1.7m units last month, down slightly from a rate of 1.7m units in October.



as factors in the decline of the C-4 per cent of the total. "I don't think we've felt no impact on our business," says the president of the National Association of Manufacturers, "but we're not sure yet." The industry is still in the process of adjusting to the new tax situation, and the impact of the new tax on the industry is still being felt. The industry is still in the process of adjusting to the new tax situation, and the impact of the new tax on the industry is still being felt.



8  
TECHNOLOGY

## US to bury Star Wars' super punch

David Fishlock, Science Editor, examines SDI-funded plans for a huge store of electrical power

PICTURE an enormous electricity store with the current going round forever in a superconducting magnet the size of a football pitch. This power reservoir, measuring 100 metres across, would be buried deep in rock to contain the immense magnetic forces which would try to explode the energised coils.

It is a project under consideration in the US and one of the main driving forces behind it is the Strategic Defense Initiative, the so-called Star Wars research programme. For if the speed-of-light weapons, such as laser beams, envisaged by the SDI are to work they will require great bolts of electricity constantly on tap.

And there would be other advantages to the system. If successful, it could provide an alternative to the very few options an electricity company has for storing its product, notably pumped storage and fuel cells.

The idea is to use today's ultra-cold superconducting technology in a large-scale engineering demonstration of a system the economics of which could improve appreciably if and when "warm" superconductors become available.

Superconductors in commercial use today are materials which lose their electrical resistance at extremely low temperatures. The latest "warm" superconductors under research lose their resistance at higher temperatures, which are easier and cheaper to achieve.

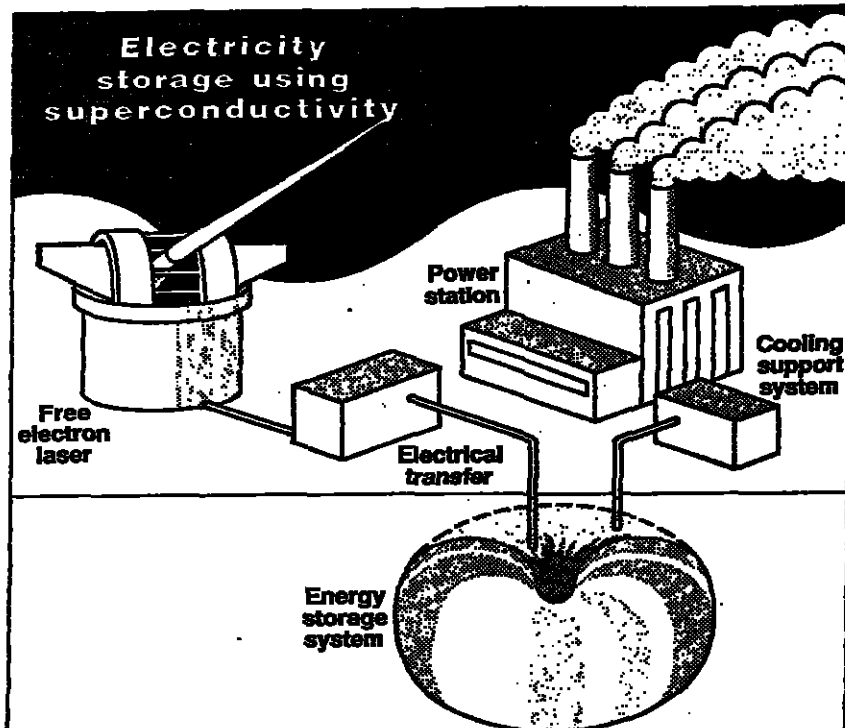
The opportunities that the technology presents means that the US electricity industry is keen to host the demonstration, even though it is not willing to put up funds. The main source of finance for the prototype project, expected to cost around \$80m, will therefore be the SDI.

Paul Robinson, principal scientist with Ebasco Services, the New York engineering consultants, says SDI scientists are talking of weapon power requiring 1,000-megawatt bursts of electricity lasting about 100 seconds. Addressing a conference on challenges for the electricity industry, organised by "The Energy Daily" in Washington recently, Robinson disclosed that his company was part of a consortium bidding for the contract to build a 30 MW superconducting store for the SDI.

Madison Gas and Electric, in Wisconsin, is a leading contender to host the project, Robinson said. Wisconsin University is also involved in the engineering design, as well as Teledyne, a major US supplier of superconductors.

The prototype project is expected to take five years to design, build and test, starting in about a year's time. According to Robinson, commercial-scale magnetic storage based on this technology and cooled to a temperature as low as 1.8 degrees Kelvin, would cost about \$800m.

Also expected to be involved in managing the project is the Electric Power



Research Institute in Palo Alto, California, the US electricity industry's co-operative research club. Narain Hingorani, EPRI's director of electrical systems, says the attraction of a viable electricity storage system could be a higher load factor for the utility, cutting its peak generating capacity by as much as 10-15 per cent.

Only about 3 per cent of US electricity is stored at present, almost entirely in pumped storage schemes, although EPRI is also developing fuel cell systems of storage.

EPRI's own calculations suggest that a full-scale commercial superconducting store, capable of delivering 1,000 MW for five hours to meet a peak demand, would be about half-a-mile in diameter. Moreover, its boundaries would need to encompass a diameter of 2 miles to protect other electrical equipment from its magnetic field.

Westinghouse Electric expects to wind the magnetic coils for the prototype. Its

research laboratories in Pittsburgh have long experience in working with superconductors, most recently in winding a 270 MW superconducting generator for EPRI.

John Hulm, Westinghouse's British-born research and planning director - whose own considerable contributions to superconducting are publicly acknowledged in the Smithsonian Museum - believes such a generator, rather than storage, is closer to commercial use. The attractions would be a smaller machine and perhaps half the present electrical losses, he says.

For the prototype store, the idea is to try to design it so that, should the new ceramic-based "warm" superconductors become available, they might be substituted for today's metallic ones.

Hulm cautions, however, that "a lot of creative materials engineering is going to have to be done." He foresees "very profound difficulties" in pushing beyond liquid nitrogen-cooled superconductors, to room temperature or higher,

where really big benefits might be realised.

The present "warm" materials have a current-carrying capacity 1,000-10,000 times too low, and other severe shortcomings, such as their sensitivity to moisture. Hulm forecasts that another decade will probably pass before any prototypes of power engineering systems are made from these higher temperature superconductors. But some electronic applications may appear within only two or three years, particularly if there is military pressure, for example for extremely fast computer processing, he says.

John Hulm was chairman of a top-level scientific committee set up by the National Science Foundation to report to the US Government on prospects for "warm" superconductors. Its report, just published, advises the Government to step up its research spending from about \$30m this year to about \$100m in 1988.

The box accompanying this article contains the panel's opinion of potential applications for which superconducting technology is "proven" but not yet economically attractive.

The Hulm report identified eight major science and technology objectives which would help a national research and development programme to exploit "warm" superconductors. They were:

•Improve understanding of the essential properties of present "warm" superconducting materials, including their AC current losses.

•Develop an understanding of the basic mechanisms responsible for superconductivity in the new materials.

•Search for additional materials showing superconductivity at higher temperatures, by synthesis of new compositions, structures and phases.

•Prepare thin films of controllable and reproducible quality from present materials and establish preferred methods for growing films suitable for electronic device fabrication.

•Develop bulk superconductors from present materials, with special emphasis on better current-carrying capacity.

•Advance the understanding of the chemistry, chemical engineering and ceramic properties of the new materials, focusing on synthesis, processing, stability, and methods for large-scale production.

•Fabricate a range of prototype circuits and electronic devices based on superconducting microcircuits or hybrid superconducting/semiconducting circuits, as suitable thin-film technologies become available.

•Fabricate a range of prototype high field magnets, AC and DC power devices, rotating machines, transmission circuits, and energy storage devices, as suitable bulk conductors are developed.

Research briefing on high temperature superconductivity, National Academy Press, 2101 Constitution Blvd NW, Washington D.C. 20418.

## Hulm report: Proven applications for superconductors

## Power utility applications

- Energy production (magnetohydrodynamics, magnetic fusion)
- Large turbogenerators
- Energy storage
- Electrical power transmission

## Transportation

- High-speed trains (magnetic levitation)
- Ship drive systems

## Computers

- Semiconducting/superconducting hybrids; active superconducting elements

## WORTH WATCHING

Edited by Geoffrey Charlish

## Delta relief for busy switchboards

TELEPHONE CAPACITY in existing electro-mechanical cross-bar telephone exchanges can be significantly increased using a system from Delta Communications in the UK.

Called DTMF Converter, the equipment works with multi-frequency telephone instruments rather than the older dial-pulse units. The shorter dial time (about five seconds as opposed to 14 seconds) means that the electronic devices (registers), which hold a number while it is being dialled, are able to deal with more calls, since the dialling periods are shorter.

Congestion at busy times is reduced and the capacity of the exchange can be doubled, according to Delta. The equipment takes the form of a circuit board connected between the register and subscriber lines of the exchange.

## GE runs circuits into three dimensions

PRINTED CIRCUIT boards in three dimensions are now feasible, claims General Electric Plastics Europe, following the company's development of Ultem 2200, a glass-filled amorphous plastic.

The material, a polyetherimide thermoplastic, is easily moulded with precision and consistency, after which it is able to withstand soldering temperatures of 210 deg C during circuit assembly.

A UK company, General Hybrid, has used the material in conjunction with electrically conductive thick film inks in a one-shot injection moulding process that allows a circuit to be made and shaped to fit, for example, the space available within a product enclosure.

## Agfa slides across the cost barrier

THE PREPARATION of business presentation slides using screen and keyboard graphics systems gives more attractive results and costs less when compared with their preparation by conventional means.

But good systems that produce professional-looking slides are not cheap, and many smaller companies are unwilling to take on the investment.

Agfa-Gevaert, the German-Belgian company best known for its photographic film products, has therefore been developing suitable electronic systems in its business imaging systems division and, through a network of 12 bureaux in the UK, plans to make available for hire slide-making facilities.

Two of the bureaux are already in place, at Electric Icon in Bristol and Burlington Graphics in central London. Five will eventually be inside the M25 motorway ring, and the whole network should be in place by March 1988.

## Fluid moves towards a better separation

THE FLUID Engineering Centre at Cranfield in the UK is to set up an industrial consortium to further develop a novel membrane which, designed at Cranfield, offers advantages in membrane separation processes in industry.

By sharing costs, the consortium members will obtain access to the development relatively cheaply.

The membrane consists of a thin, porous metallic layer on a robust ceramic substrate and is resistant to heat and solvents. In addition, it can be electrically charged, improving particle rejection and reducing fouling of the membrane surface.

Membrane separation is becoming increasingly important in component separation, for example in removing salt from water. But the current porous plastic membranes usually have a short life and cannot withstand either high temperatures or organic solvents.

Present ceramic-only types of membrane, says the Centre, are expensive to produce and the pore size is difficult to control. The new membrane is less costly and is more efficient due to the charging effect.

Companies joining the consortium will be offered favourable licensing terms for the final product.

The good news is FERRANTI Selling technology

## Unisys key to early weather forecasts

IN THE US, leading computer company Unisys has won initial orders worth \$60m for a nationwide radar-based weather detection and information network.

By 1995, it is expected that the US Government will have spent \$405m on the project, which involves 195 radar systems, each consisting of a radar, a processing unit, multiple displays and communications equipment.

Called Nexrad, the project is sponsored by the US Departments of Commerce, Defense and Transportation. It will be used by the National Weather Service, the Federal Aviation Agency and the US Air Force.

Nexrad will offer improved early detection of severe weather conditions. It is expected to give greatly increased warning times for such hazards as tornadoes, gales, hail and flash floods, and to produce fewer false alarms.

## How NKK's sandwich cuts building noise

A STEEL and resin composite sheet material for use in the construction industry is about to be actively marketed by Nippon Kokan (NKK), the Japanese steel and engineering group.

Sold under the brand name Calma, the product is a sandwich of synthetic resin film about 0.075mm thick between two cold-rolled sheets of steel, each 0.25mm to 2.3mm thick (depending on the structural strength needed). The composite is put through a heat press process to ensure good adhesion.

The resin, says NKK, absorbs vibration energy to reduce noise. The company is making noise reducing floors by forming sheets of Calma into decking plates. Its use in roofs and staircases is also said to cut noise levels in buildings. The initial sales target is 500 tonnes a year.

CONTACTS: Delta Communications Republic of Ireland, 61 81433, General Electric Plastics Europe, The Netherlands, 1640 32811, Agfa-Gevaert, London office, 599 2331, Fluid Research Centre Cranfield, UK, 0284 720422, Unisys, London office, 965 0511, NKK, Japan, 5 212 7111.



'Lady Mouse in Molecap' from The Tailor of Gloucester, The Tate Gallery.

©Frederick Warne & Co., 1910

## Come to the Beatrix Potter Exhibition at the Tate Gallery.

And help preserve the beauty of the Lake District.

As many people will know, Beatrix Potter spent much of her life in the Lake District.

To help preserve the beauty of the area she bought a great deal of land which might otherwise have suffered from 'development'.

And when she died, at the age of 77, she left over 4,000 acres to The National Trust, including fourteen farms.

Now the Tate Gallery is staging a major exhibition of Beatrix Potter's work, in aid of The National Trust Lake District Appeal.

Besides the famous illustrations from her books, much of her early work and sketches from her later life will be on view.

The Victoria and Albert Museum, along with a number of other important collections, have lent work never before shown in public.

And the catalogue, which is published by

Frederick Warne & Co. and The National Trust, with support from Ford will be the most authoritative book ever published on the artist's work.

We at Ford are very pleased to be sponsoring the exhibition because not only do we have a long standing association with The National Trust, but we're sure that the Lake District Appeal is a cause which Beatrix herself would have been keen to support.

So, if you were ever spellbound by the Tales of Beatrix Potter, do pay a visit to the Tate for this unique exhibition.

## BEATRIX POTTER AT THE TATE GALLERY

18th November 1987 - 31st January 1988

Admission £2.00 Concessions and children 91p £1.00

Accompanied children under 9 free

Monday-Saturday 10.5.50 Sunday 3.5.50 Last admissions 5.30

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Nearest Underground Pinbus (Victoria Line) Bus Route: N9 or 77A

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SPONSORED BY THE FORD MOTOR COMPANY LIMITED IN AID OF THE NATIONAL TRUST LAKE DISTRICT APPEAL



## UK NEWS

## JVC plans £27m colour TV plant in Scotland

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

VICTOR COMPANY of Japan (JVC), the consumer electronics company, is to set up a £27m colour television plant at East Kilbride near Glasgow in Scotland.

If successful, it will later manufacture compact disc players and display monitors for computers, creating 650 jobs by 1993. The factory is JVC's first colour television plant in the European Community. The company already has a factory making video tape in West Germany and is in a joint venture with Thomson of France making video cassette recorders in West Germany and at Newhaven in Sussex.

The East Kilbride plant will come into production in the middle of next year, initially employing 300 people.

Mr Malcolm Riffkind, Scottish Secretary, yesterday welcomed the JVC decision as excellent news for Scotland. The Japanese company had chosen Scotland after looking at possible sites elsewhere in Britain, as well as in West Germany and France.

The arrival of JVC, which has worldwide sales of about \$2.5bn, marks a further strengthening of the Scottish electronics industry. Another Japanese company, Mitsubishi, has two plants making video cassette recorders and tele-

visions in Scotland.

Mr Atsumu Uchida, general manager of JVC's overseas production department, said the East Kilbride plant would eventually buy 60 per cent of its components from within the EC. He expected it to buy the TV tubes from Mullard, a UK subsidiary of the Dutch group, Philips.

JVC needs to source 60 per cent of its components in the community to avoid EC tariffs on Japanese products.

Mr Iain Robertson, chief executive of the Scottish Development Agency, said it was already trying to ensure a good proportion of the plant's components came from Scottish companies.

Terry Dodsworth writes: JVC's decision to invest in its own television plant in Scotland follows the takeover by Thomson of France of the Ferguson plant at Gosport, Hants, where its products were made under licence.

Because of the ending of the deal with Ferguson, JVC is a latecomer to production in the UK. Most of its Japanese competitors, however, are already well established in Britain, with four Hitachi, Toshiba, Matsushita and Sony - manufacturing around 300,000 sets a year each. Japanese producers dominate

the UK industry, making about half of the 3m colour televisions a year produced in Britain, according to figures from BIS Mackintosh, the market research group.

The leading individual manufacturer is now Thomson, which inherited a plant with a capacity of around 1m units a year from Ferguson (formerly owned by Thorn EMI), but which may produce well under that next year because about 200,000 units were being made for JVC.

Philips, the Netherlands-based company, is the next most important producer, with annual output of about 400,000 televisions. The only significant British manufacturer, Fidelity, follows well behind the leading Japanese companies, with 250,000 sets a year.

Britain's policy of encouraging inward investment has had some effect on cutting imports, which have declined from 41 per cent of the market in 1984 to 36 per cent last year. Nonetheless, although there are substantial exports from the UK, imports account for about 1.4m of the 3.9m televisions sold in the UK every year. The UK market is the biggest in Western Europe. High-tech investment in Scotland, Page 14

## Deadline set for investment licence

By Eric Short

INVESTORS wishing to transact business after the Financial Services Act comes into operation have been told by the Government to submit their applications for authorisation before February 27 next year.

The date of the so-called "P-Day" was announced in the House of Commons yesterday by Mr Francis Maude, Corporate and Consumer Affairs Minister. He did not say when the Act as a whole would come into operation but that the Government was still aiming for its full implementation in April.

Mr Maude also said that Lord Young, Trade and Industry Secretary, had given his consent for the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra) to be recognised as a self-regulating organisation (SRO).

The Act forbids the transaction of investment business by anyone not authorised by the Securities and Investments Board, the body responsible for administering the Act, by the appropriate SRO operating under the board or by a Recognised Professional Body.

Firms which submit fully completed applications before P-Day are guaranteed interim authorisation while the application is being processed.

A firm with interim authorisation would follow the rules of its relevant SRO but come under SIB's control. That means it would not be covered by the arrangements, yet to be finalised, for financial compensation to clients in the event of the firm's collapse.

Neither would it be subject to the temporary suspension of Section 62 of the Act, a section which gives clients the right to sue investment firms. They could, therefore, still face lawsuits from disgruntled clients.

Lord Elton, chairman of Fimbra, welcomed its recognition as an SRO but said any firm wanting more than interim authorisation should apply for membership as soon as possible. Applications made in any last-minute rush would take much time to clear.

Mr Richard Weir, director-general of the Retail Consortium, the shopkeepers' trade body, found the figures slightly surprising in that they were better than expected. He said they showed the October slide in share prices appears not to have affected sales. There is nothing in these figures to lead one to believe there has been any serious loss in consumer confidence," he said.

However, there seems to be some scepticism among stock-broking analysts about the accuracy of the DTI figures, which do not appear to tally with reports coming from retailers. Many stores found that sales in November were slow.

## Markets crash fails to affect shoppers as retail sales boom

BY RALPH ATKINS AND MAGGIE URRY

BRITAIN'S shop sales grew to a record level in November, suggesting that the stockmarket crash has so far had little impact on retailers.

The retail sales volume index, published by the Department of Trade and Industry yesterday, shows a provisional seasonally adjusted 1 per cent increase last month. The rise was greater than most forecasts in the City of London, and follows a 0.9 per cent increase in October.

The figures come after the Confederation of British Industry/Financial Times survey of distributive trades, published last week, which suggested that retail sales growth may be slowing.

Yesterday's figures, however, together with confident forecasts by retailers, indicate strong Christmas sales which will easily exceed last year's volumes.

In the three months to November, sales were 1½ per cent higher than the previous three

months and nearly 6 per cent higher than the same period last year when retail sales were rising sharply.

In November the index stood at 184.4 (1980=100) compared with 183.0 in October.

The figures were the start of a series of economic statistics to be published this week and the first major indicator covering a complete month since the slide on world stock markets began.

The surge in retailing reflects the continuing rise in real earnings, an expansion in consumer credit and recent cuts in mortgage rates.

Mr Kevin Roakes, UK economist at Greenwell Montagu, the securities house, said the figures showed a paradox emerging for the Government in deciding monetary policies. International trends were increasing pressure for lower interest rates, but a cut would lead to undesirable side-effects in a domestic economy that still appeared to be growing

## Plan backs small business in Scotland

By Maggie Urry

A BID to back Scottish small business was yesterday launched by Mr James Gulliver, one of Scotland's most famous businessmen, and Noble Grossart, the Edinburgh merchant bank.

A joint company they have formed has agreed a deal to take control of Waverley Cameron, a Scottish paper company, with the plan to use it as a vehicle for investing in other businesses north of the border.

The purpose of the Waverley Cameron investment is to encourage a more dynamic small business community in Scotland and to back Scottish managerial talent, a commodity too often exported according to Mr Angus Grossart of Noble Grossart.

Through the joint company, called Sanda, Mr Gulliver will take a 64 per cent stake in Waverley Cameron.

Sanda has already bought 124,799 Waverley Cameron shares (12.9 per cent of the equity) at 270p. An offer will be made for the remainder.

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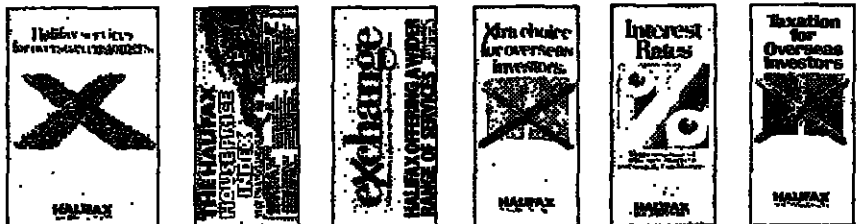
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206 133	Ass. Brit. Ind. Ordinary	194	-2	8.9	4.6	7.3
206 145	Ass. Brit. Ind. CULS	200	-2	10.0	5.0	3.9
41 28	Armstrong and Rhoads	28	0	4.2	15.0	8.5
242 20	BBB Design Group (USM)	53	0	2.1	1.9	8.5
188 108	Barton Group	125d	0	2.7	1.7	26.5
286 95	Brag Technologies	135	-2	4.7	3.5	10.8
281 130	CLL Group Ordinary	260d	-2	11.5	4.4	6.7
167 99	CGI Group 12% Cum. Pref.	122	-2	15.7	12.9	1.9
177 130	Cartersons Ordinary	130	-3	5.4	4.1	11.3
102 91	Cartersons 7.5% Pref.	100d	0	10.7	10.7	1.9
180 87	George Blair	145	0	3.7	2.6	3.7
143 75	His Group	75	0	0	0	0
102 59	Jackson Group	91d	0	3.4	3.7	10.1
780 310	Multimedia NV (AmstSE)	310	0	0	0	12.3
98 35	Record Holdings (SE)	57	-1	0.1	0.1	11.5
115 83	Record Holdings 10% Pref (SE)	108	0	14.1	13.1	1.9
91 55	Robert Jenkins	55	0	0	0	2.4
124 42	Servotronics	124d	0	5.5	4.4	4.9
224 141	Towley & Carlisle	224	0	6.5	3.3	9.6
71 32	Trevin Holdings (USM)	45	0	2.7	2.2	7.0
131 41	Wallack Holdings (SE)	48	-1	2.8	5.8	8.8
264 115	Walker Alexander (SE)	165	-4	5.9	3.6	12.2
204 190	W.S. Yates	193	-1	17.4	8.6	20.3
175 96	Weyl-Yates Ind.Hold.(USM)	120	0	5.5	4.4	12.7

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LEINSTER TOWERS HOTEL W.2. AND  
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15th JANUARY 1988

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## Public Notices

## COURT OF SESSION CLYDE EXPRO PLC

NOTICE is hereby given that in a Petition by Clyde Expro plc to the Court of Session, Scotland for confirmation of Reduction of Capital the Court on 10th December 1987 granted an order directing that provisions of Section 136(3), (4) and (5) of the Companies Act 1985 shall not apply as regards the creditors of the Company or any class of them and confirming the Reduction of Capital by cancellation of the whole of the Share Premium Account.

Said order, together with the undertaking to the Court referred to therein, was duly registered with the Registrar of Companies on 10th December 1987, notice of which registration is hereby given.

McGrigor Donald  
Solicitors for the Company

68/73 Queen Street  
EDINBURGH  
10th December 1987

## Art Galleries

LEVERNE GALLERY 30 Brunton Street, W1.  
Tel: 01-252 2107 An exhibition of works by  
Edward Burne-Jones (1833-1898) 14th November -  
18th December Mon-Fri 10-5, Sat 10-12.30

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## UK NEWS

## Frozen turkey index poised to fall this Christmas

BY RALPH ATKINS

THE BATTLE for pride of place on British Christmas dinner tables is proving to be no mere poultry matter this year.

While other retailers are reporting booming trade, sales of whole turkeys this Christmas look set to remain static and may even fall compared with last year. The bird's traditional dominance of the festive season is being challenged by premium beef joints, geese and game.

About 10m turkeys will be bought in the next two weeks. But figures from Mr Bernard Matthews, president of the British Turkey Federation, whose company supplies about 40 per cent of the market, show that the FT (frozen turkey)

index has changed little in the last few years.

Competition between producers has intensified. Mr Matthews says that at least one has recently stepped up production in an attempt to increase its market share at the expense of other operators such as his group and Hillsdown Holdings, which sells under the Buxted and Teydale labels.

Last week Mr Matthews gave a warning that a short-fall in sales and high feed grain prices would cut the group's profits by £1m this year. He is, however, ready to let feathers fly if a turkey war breaks out. "We are quite prepared to meet the competition. We think it is extremely foolish to try and

expand into a market when it is static," he said. Turkey has been heavily promoted in the last few years to encourage its consumption all year round. It is easy to process and sell as small roasts designed for modern-size family units.

However, Mr Matthews denies that such trends have affected Christmas sales. "The facts do not show that," he said. "The Christmas turkey market is no less than it was 10 years ago - before turkey was consumed all year round."

There is also fierce competition in supermarkets. Turkeys are often sold at a loss to attract Christmas traffic.

With most turkeys likely

to be sold in the next nine shopping days, it is too early to observe trends in high street stores. But Sainsbury, although reluctant to disclose sales figures, said trade so far was following the normal pattern and it looked forward to intensive trading in the immediate pre-Christmas weeks.

Mr Michael Contini, manager at Slater & Cooke, upmarket butchers in Brewer Street, London, tells a different story. Turkey is losing popularity, he says, and for the run-up to Christmas he plans initially to order only half as many birds as last year.

"I think it is sheer boredom. It is an all-year thing

now. People want something different at Christmas," he said.

His shop sells up to 1,000 Norfolk turkeys at Christmas, but this year beef is mounting a challenge. Geese are also popular but Mr Contini said they were expensive and could be difficult to prepare. "Unless you know what you are doing with a goose, you can be very disappointed," he said.

At Harrods, which expects to sell thousands of turkeys before Christmas, there has been no observable swing away from the traditional festive bird, but sales of other meats are booming. Spiced beef, cured with pepper and herbs and retailed at £3.70 a lb, is selling at

volumes 20 per cent higher than last year. Pheasants, at £5.20 each, are also doing well, but wild ducks at £4.75 do not appear to have caught on as festive fare.

The most consistent campaigner against Christmas turkeys is the Vegetarian Society, representing an estimated 1.3m adult vegetarians in the UK.

The society's suggested "cruelty free" Christmas menu starts with a melon and fruit salad followed by nut loaf made with cashew nuts, breadcrumbs, onion, garlic and free range eggs. The meal is completed with traditional Christmas pudding - made with a vegetarian alternative to suet, of course.

## Sellafield gets reprieve after safety checks

BY DAVID FISHLICK, SCIENCE EDITOR

NUCLEAR INSPECTORS have lifted the threat of closure from the Sellafield reprocessing plant which it has faced for the past year.

Last December the Government's Health and Safety Executive ordered British Nuclear Fuels to submit safety cases demonstrating that its factory meets national safety criteria, as a condition of it continuing to operate the plant.

Sellafield treats spent fuel from the electricity industry's Magnox reactors. Any extended stoppage of reprocessing would force the electricity industry to shut down one of its cheapest sources of electricity.

The move by the nuclear inspectors, as part of the Health and Safety Executive, was the outcome of a highly critical audit of the reprocessing plant ordered by Mr John Rimmington, its director general, after a series of media "leaks" involving the plant.

The audit found the factory wanting in its attitude to safety, saying "there is much more to be done" to bring the plant up to the best safety practice elsewhere in industry.

Mr Rimmington, speaking yesterday on post-audit progress during the year, said BNFL had complied with the basic demands made of it. He was pleased with progress and with the declining frequency of incidents at the plant.

His executive, he said, still had powers to close the factory, but the particular potency with which those words were issued can now be regarded as withdrawn.

The audit had focused on the reprocessing plant and not the whole factory. BNFL said some

£8.5m had been spent on work directly related to the audit and a further £42m had been committed to refurbishment of the reprocessing plant.

Mr Eddy Ryder, chief nuclear inspector, said BNFL had met the nuclear inspectors' deadline for submission of its safety cases within one year, but the inspectors would need another three to six months to assess them.

The safety cases might throw up the need for further improvements. But BNFL's current plans for refurbishing extended until 1992, he said.

Mr Rimmington said there was no escaping the fact that reprocessing would have to continue for 10 years even if the Magnox reactors were shut down now. The company was expecting to continue reprocessing for up to 20 years.

There had been no incident of any consequence at Sellafield during the past year, Mr Rimmington said. But a worry was the quantity of radioactive waste accumulating on the site, coupled with lack of any national agreement about its ultimate destination.

"The more the site is cleaned up, the more waste is going to accumulate," he said. Clean-up activities were exposing factory personnel to radioactivity that had previously been sealed up. Extra clean-up operations in the reprocessing plant had meant 10 times as much plutonium-contaminated waste as in previous years.

BNFL Sellafield: post-audit progress, December 1987. Available free from HSE public inquiry points at Boodle (051 851 4381), Sheffield (0742 732539) and London (01 231 0370).

## Government may impose stricter financial targets on LRT

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

LONDON REGIONAL Transport's financial targets are likely to be tightened by the Government next year as part of a review being carried out by the Transport Department.

Opposition MPs and trade unions have claimed that existing targets may have contributed to the King's Cross Underground disaster last month, in which 31 people died.

Officials say there are still substantial costs to be shaken out of

the system, and financial targets being drawn up to take effect in March are likely to be more rigorous than existing ones.

LRT, which runs the capital's bus and Underground services, has exceeded current government targets.

Those targets involve a reduction in the requirement for revenue support to £95m by the end of this year, and an annual reduction of 2.5 per cent in unit costs.

Revenue subsidy will in fact be less than £90m this year, largely because of a 50 per cent increase in Underground passengers.

Unit costs were reduced by 11 per cent between 1984-85 and 1986-87 and are expected to fall by a further 5 per cent this year.

Most of the improvement in unit costs has been achieved by reducing staff levels, which have fallen by 3,000 in the last five years, and by more than 1,000 in the past 12 months.

The National Union of Rail-

waymen (NUR) and Opposition MPs such as Mr Frank Dobson, shadow leader of the Commons, say the reduction in staff has made the Underground less safe.

That is disputed by officials at LRT and the Transport Department, who are confident that the King's Cross public inquiry will bear them out.

Mr Tony Ridley, chairman of London Underground, said yesterday that there was no conflict between achieving financial targets and improving the system.

"I do not accept the presumption that the King's Cross disaster resulted from general expenditure reductions," he said in a letter to Mr Jimmy Knapp, NUR general secretary.

"Should it be found that expenditure constraints... have been a contributory factor, then of course we will review that position," he said.

Mr Knapp said he was surprised at the "insensitive" attitude of LRT, and urged Mr Ridley to shelve all cost-cutting

until the inquiry reports. Ministers are believed to have told LRT that safety should continue to be a high priority, but that pressure to cut costs should be stepped up wherever possible.

Capital spending on the Underground is expected to rise to more than £80m next year compared with £122m in 1983.

The proportion financed by government grant has fallen, however, as the Underground has moved from a £12m loss in 1983 to £70m surplus last year.

# ATTENTION BRITTOIL SHAREHOLDERS.

Britoil advises you not to accept the BP Tender Offer.

Britoil

## Coal communities urge cut in opencast output

BY MAURICE SAMUELSON

A REPRESENTATIVE of 78 local authorities in Britain's coalmining areas called yesterday for a reduction in production from opencast sites, which it said created "a load of filth" and turned the environment into "gigantic moonscapes".

Mr Michael Wedgworth, secretary of the Coalfield Communities Campaign, was introducing a report on Britain's opencast coal industry. It concluded that instead of increasing output from 14m to 18m tonnes a year, as proposed by British Coal, it should immediately be trimmed to between 4m and 10m tonnes a year for economic as well as environmental reasons.

The campaign's findings conflict with the policy of the British Coal and the Government, which sees greater output of cheap, opencast coal as an asset in making British Coal profitable and reducing national energy prices.

British Coal argues that a steady supply of low-chlorine, opencast coal is also needed for blending with deep-mined coal and that its cheapness helps to defend mining jobs by blocking opencast imports.

According to Sir Kenneth Couzens, deputy chairman of British Coal and chairman of its

Opencast Executive, opencast coal can compete with any other form of energy. The executive says it is a world leader in restoration of opencast sites.

However, the Barnsley-based campaign claims that present and projected levels of opencast coal mining in Britain are not justified by market or mining security needs and represent a misuse of valuable long-term resources.

With deep mines moving to profitability, there would be no need to cross-subsidise them from opencast sites and surges in demand could be met more economically by extending the life of deep mines than investing in new opencast workings.

The campaign said it accepted that some opencast coal was needed to "sweeten" deep-mined coal but believed that British Coal had exaggerated the quantities required.

Its report, published in London yesterday, reflects the mounting opposition of local authorities to the existing level of opencast production in spite of British Coal's claim that its costs are only two thirds of those of deep-mined coal.

Opencast coal. Coalfield Communities Campaign. 1 Pomfret Road, Barnsley, South Yorkshire S71 1AJ.

## Takeover Panel looks at ways to ease bid rules

BY NIKKI TAIT

THE TAKEOVER Panel, which oversees all bid and merger activity, is believed to be looking at ways of easing elements of the City code on takeovers in the light of the recent stock market plunge. An announcement might be made in the next few days.

The problem centres on rule 6.1 of the code, which states that if a potential bidder acquires shares in its target "when an offer is reasonably in contemplation", any subsequent general offer should not be made on less favourable terms.

That is particularly relevant at present, if a would-be bidder bought shares in its target before

the crash and had an offer in mind at the time, it might have to set its bid at the highest level it paid. Given the subsequent plunge in equities, it is unlikely to go ahead on those terms.

Equally, a company might feel unable to enter a bid situation if it had to do so at a level that looked prohibitively high given purchases in the target at pre-crash prices.

The issue of whether an offer was "reasonably in contemplation" when shares were bought does give potential bidders some leeway. The panel seems likely to offer further clarification and flexibility for companies in such situations.

## N Ireland parcels out £390m for development

BY OUR BELFAST CORRESPONDENT

MR PETER VIGGERS, Northern Ireland Industry Minister, yesterday gave a breakdown of the province's £390m economic development budget for next year.

For industrial developments and related support services, £225m has been made available. Of that, £110m is earmarked for the Industrial Development Board and £225m for the Local Enterprise Unit.

Mr Viggers said the IDB provision would enable the board to concentrate on measures to strengthen and expand Northern Ireland's industrial base while the funds for the enterprise unit underlined the importance the Government placed on developing a vigorous small business sector.

Out of the £126m for employ-

ment and training, £10m has been allocated to a special scheme for the long-term unemployed.

Mr Viggers said the Government remained committed to supporting the efforts of Short Brothers to achieve profitability. The £10.6m set aside for Shorts would provide for the development of aerospace projects.

He said Harland and Wolff's continuing difficulty with its trading position required a significant increase in government support for 1988-89 and limited the resources available for development of other services in the province.

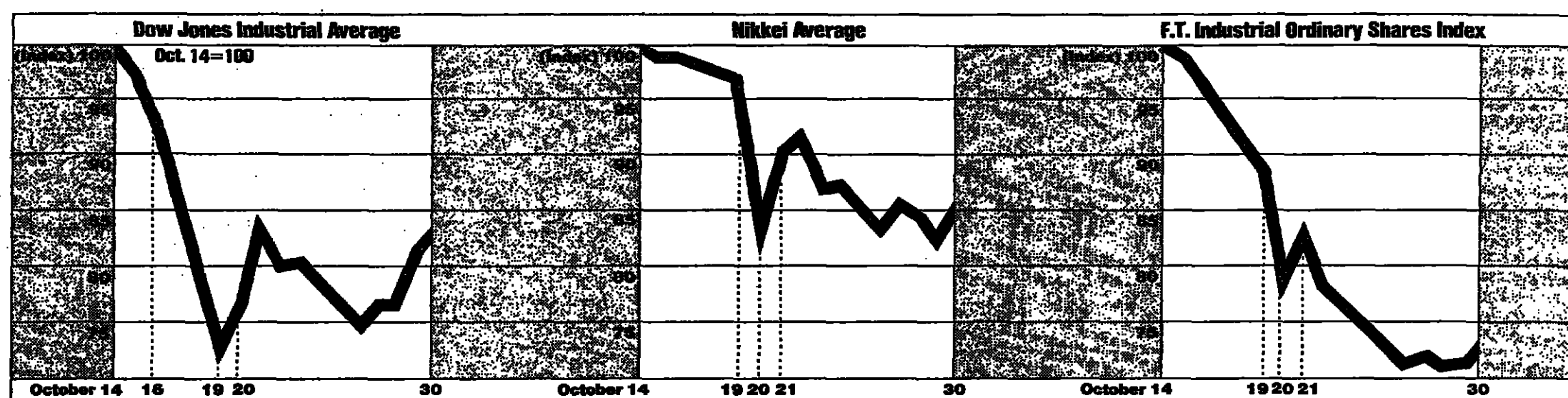
More than £40m has been allocated to the youth training programme to ensure that unemployed 16-year-old school leavers can be guaranteed a two-year training place.



# TOKYO, OCTOBER 1987 WHAT HAPPENED AND WHY?

When the Crash Came,  
All Markets Were Not Created Equal

## NEW YORK TOKYO LONDON



### New York, London, Tokyo...

The world's three great stock markets are forging mutual links, making 24-hour global trading a financial reality. Events on October 19th show just how interrelated the three major international stock markets have become. Severe jolts were felt throughout the world's financial markets when investors, wary of the U.S.'s enormous trade and Treasury deficits and the weakening dollar, began a massive sell-off. On Black Monday, the New York Dow Jones industrial average declined a record 22.6% in one day. London recorded a similar decline, and the next day in Tokyo, overseas investors sold a staggering amount of stocks, driving the Nikkei Average down 14.9% and triggering the one day loss in price limit. During the week of the crash, the Dow Jones' and Financial Times' indexes fell below their year-high levels by 36.1% and 32.1% respectively. However, in the same period, the farthest the Nikkei Average fell below its 1987 high was a relatively low 17.8%. And by the week's end, the Nikkei Average had rebounded a strong 4.2%, making the Tokyo market's resilience the focus of attention among international investors.

### Japanese Individuals Offset Massive Selling By Foreigners During The Crash

The key players in cushioning the fall on the Tokyo market were Japanese individual investors. During the month of October, net purchases by individual investors came to approximately ¥530 billion, roughly triple the previously

recorded high in September. Other Japanese investors who played a stabilizing role in the Tokyo market include financial institutions and corporations, accounting for ¥654.4 billion of net purchases, and investment trusts accounting for ¥90.6 billion. This purchasing trend partially offset the selling by overseas investors, which reached ¥1,998 billion in October.

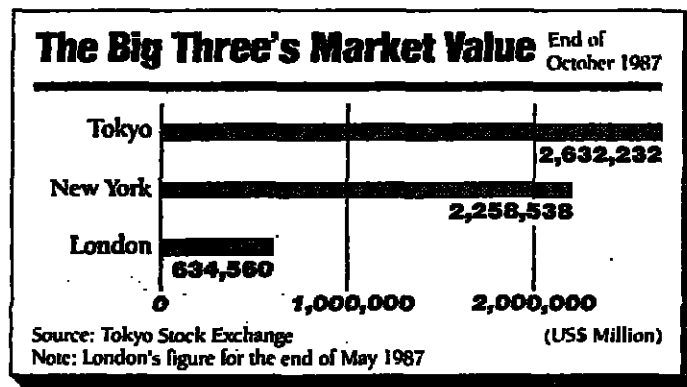
As for the week of the crash (October 19th ~ 24th), overseas investors sold ¥1,058 billion worth of stocks on the Tokyo market. Japanese financial institutions were net purchasers of only ¥81 billion, but individual investors supported the market by purchasing some ¥623 billion worth of stocks, and non-financial institutions were net buyers by ¥185 billion. This buying by Japanese individual investors and corporations counterbalanced the selling by foreign investors in Tokyo. Confidence remained high, and stability returned quickly.

### Strong Economy and Solid Savings' Structure

One reason for such strong support buying by Japanese investors is their faith in the fundamental strength of the Japanese economy. Japanese businesses, especially in the hi-tech industries, have overcome the oil shocks of the '70's and the yen appreciation of the '80's and have adapted to the new international business environment. According to the OECD, the combined effect of the fall in stock prices and the low dollar will only slightly affect 1988's real G.N.P., decreasing it by just 0.25%. In fact, the *Nihon Keizai Shinbun* predicts that for the fiscal year ending in March 1988, the average ordinary profit of all listed Japanese companies will increase by 29% over the previous year.

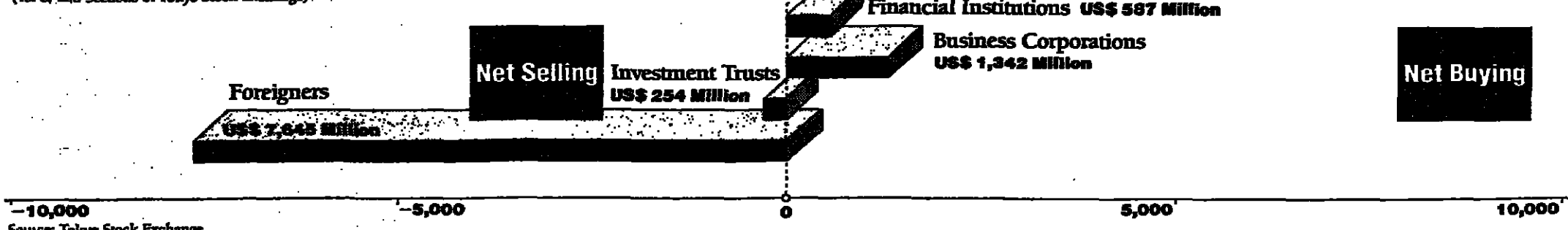
Another reason for investor support is the high rate of individual savings. In 1985, Japan's individual savings ratio reached 16.0%, demonstrating a strong propensity to save. In comparison, the West German rate was 11.4% while the U.S. rate was only 5.2%. Given the percentage of total savings invested in stocks, which is 8.5% lower than the U.S. rate of 22%, erosion of assets due to the crash was relatively slight, despite the strong growth in stock investments. Japanese financial institutions will also continue to use stock investments as part of their asset management programs.

The fundamental strength of Japan's economy has instilled confidence in both individual and institutional investors, which in turn has provided stability in otherwise volatile financial markets. Investor confidence and economic strength make Tokyo the safest market in volatile times.



### Who Sold and Who Bought During the Crash in Tokyo?

Net Turnover in Value of Stocks by Type of Investors, October 19-24 1987  
(1st & 2nd Sections of Tokyo Stock Exchange)



Note: All U.S. dollar figures represent translations of yen amounts as supplied by the TSE at the rate of U.S.\$1 = ¥138.40, and are given here for convenience only.



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## UK NEWS

# Ridley approves £350m private housing scheme

BY ANDREW TAYLOR

PLANS FOR one of Britain's biggest private housing schemes have been approved by Mr Nicholas Ridley, Environment Secretary. It would create a £350m neighbourhood for up to 9,000 people in Harlow, Essex.

The scheme is designed to provide much needed housing, along the border between rural Essex and Hertfordshire, after the expansion of Stansted as London's third airport.

The Brentnall Park development, between the eastern boundary of Harlow and the M11 motorway, went to a three-week public inquiry in January.

Epping Forest opposed the development at the inquiry

while Essex County Council and Harlow District Council supported the proposals, by a consortium of three house builders, Countryside Properties, Croude and Waters.

Controversy was fuelled by the fact that the 395-acre site upon which the development is planned was classed as "interim green belt."

That meant the land enjoyed the status of green belt pending a review of Harlow's long-term housing needs, Mr Alan Cherry, chairman of the developers' consortium, said yesterday.

Mr Ridley has given the go-ahead for the scheme after a report by the public inquiry

inspector, who said: "The urgent need for housing to coincide with the expansion of Stansted Airport, and the need for housing to meet Harlow's local need in this instance outweigh the policy objections."

The inspector ruled that the development would not prejudice the definition of green belt boundaries and "would be well related to the town and would not seriously harm its wider landscape setting."

The planning approval provides for 3,500 homes, shopping facilities, a primary school, health centre, church, public house, community buildings and 70 acres of park and woodland.

## Industrial costs down 1.5% in November

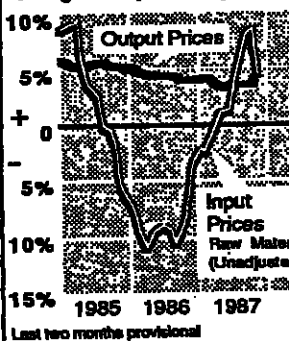
By Simon Holberton

INDUSTRY'S COSTS continued to fall in November as the benefits of a strong pound led to the third successive monthly fall in the costs of imported materials and fuel.

At the same time, the rate of increase in factory-gate prices remained the same as in October. According to provisional, seasonally adjusted figures released

### Producer Prices

Change over previous year



yesterday by the Trade Department, industry's costs fell 1.5 per cent last month.

Sterling appreciated by 5 per cent in dollar terms over the course of the month and that was reflected in falls in prices for petroleum products and other imported materials for manufacturing.

But a seasonal increase in electricity costs boosted industry's costs by a non-seasonally-adjusted 0.5 per cent over the month.

Over the year to the end of November, input prices increased provisionally by 3.2 per cent. That was the lowest rise since June and well down on August when input prices were up 9.1 per cent on the previous corresponding period.

The DTI's provisional index of input prices was 131.6 (1980=100) against a provisional 131 in October.

Factory gate costs rose a provisional 0.3 per cent during November and by 3.9 per cent a year ago and by 3.9 per cent this October.

Manufacturing prices, other than for food, drink and tobacco, rose 0.3 per cent in November and by 4.9 per cent over the year.

The DTI's index for output prices reached 153.2 (1980=100) against 152.8 in October.

## UK and France sign Channel tunnel defence agreement

BY LYNTON McILAIN

THE UK AND French defence ministers signed an agreement covering security of the Channel tunnel and its use for defence purposes after talks in London yesterday.

Mr George Younger, Defence Secretary, said at a joint press conference with Mr Andre Giraud, his French counterpart, that the measures were confidential and details had still to be worked out.

The two ministers were asked by their governments to study arrangements for the security and defence of the fixed link.

"The agreement will enable our staffs to make the necessary arrangements," Mr Younger said. Mr Giraud and Mr Giraud also discussed joint defence procurement and nuclear issues, including the possible future requirements of each country for air-launched cruise missiles with

nuclear warheads. Mr Younger said this was a "very long-term, very major system and the UK's requirement would not arise until the end of the century."

Mr Younger insisted that there was nothing inconsistent between the possible requirements and the treaty signed last week between the UK and the Soviet Union eliminating ground-launched intermediate and short-range nuclear missiles. Air-launched cruise missiles were not covered by the treaty and the UK and France had perceived a need to modernise their own nuclear weapons.

The British Government had no intention of finding a substitute for the cruise missiles that will be withdrawn under the terms of the intermediate nuclear forces treaty, he said. "I see nothing at all inconsistent in collaborating together to ensure

we have the means of defending ourselves in the future. It is up to us to ensure that the defence equipment we have to defend ourselves is up to date and this is part of that process."

The ministers agreed to take studies on nuclear air-launched cruise missiles a stage further. There will be discussions at staff level with a view of establishing firmly whether our requirements are similar and, if they are, if there would be merit in us collaborating," Mr Younger said.

Mr Giraud and Mr Younger also agreed to set up a joint committee of officials to oversee and develop processes for the possible joint procurement of defence equipment. France also agreed to publish bulletins of forthcoming contracts, as is current practice in the UK.

## Wellcome cuts AIDS drug price by a fifth

By Peter Marsh

WELLCOME, the UK drugs company, yesterday reduced by a fifth the world-wide price of its anti-AIDS medication Retrovir, apparently partly due to criticism that it was likely to make excessive profits on the product.

As a result of the price cut, the cost to the UK National Health Service of a year's dose per patient will be reduced by about £1,000 to £4,000. Retrovir is the only drug available on prescription to treat AIDS.

Wellcome said it was reducing the price to pass on to customers savings made in manufacturing the drug, which first went on sale in April and is licensed for distribution in 37 countries. About 19,000 patients, most of them in the US, are receiving Retrovir, which acts by slowing down the course of the disease rather than curing it.

In recent months, Wellcome has come under pressure from homosexual rights groups who claimed it was charging too much for Retrovir, bearing in mind its virtual monopoly on anti-AIDS products.

The company has justified its pricing policy on the grounds that the drug cost about \$80m (£43.5m) to bring into production. Wellcome sold £16m worth of Retrovir in the year ending in August, with a negligible contribution to pre-tax profits.

Industry observers estimate that sales in the current year, taking into account the price change, will be between £100m to £200m, with a profit of £20m to £50m.

Mr David Grogan, an analyst at Barclays de Zoete Wedd, said he was surprised the price cut had come so soon.

## Cornwall to gain 250 jobs

PALL CORPORATION of the US is to invest \$8m over the next five years in building a factory near Newquay, Cornwall. It will create 250 jobs.

The plant is Pall's first overseas investment in its basic manufacturing processes of membranes used in health care devices and filters.

Pall Europe already employs a total of 1,250 people at its three plants in Portsmouth and two factories in the West Country.

## North-east pits go into profit

BY MAURICE SAMUELSON

BRITISH COAL is making a profit in its Durham and Northumberland pits for the first time for 40 years, because of a sharp increase in productivity.

Last year the corporation's north-east area lost \$5m and in the 1970s losses averaged \$50m a year. However, since April the north-east area's eight collieries have made a real profit of £1.5m, boosting hopes of a £5m profit by March if present levels of output are sustained.

Mr David Archibald, north-east area director, said six collieries each producing more than 1m tonnes a year. "The coalfield

has been transformed into a streamlined, efficient business which is no longer a burden on the taxpayer."

The area employs 13,500 miners and 3,000 workshop and office staff. Immediately before the 1984-85 miners' strike, the area employed nearly 22,000 miners in 16 collieries but produced little more than the present 10m tonnes a year.

Ten years ago, 36,000 men in 31 collieries were producing 18m tonnes a year.

The area faces long-term problems in spite of the turnaround. After the exhaustion of much of

the onshore coal deposits, most of the area's coal is extracted from seams far out under the North Sea. By March, the closure of Ashington, which employs 550, will leave the area with only one inland colliery, Murton in County Durham.

British Coal wants to introduce longer shifts without increasing miners' total working hours to reduce the travelling time to and from the offshore faces. That requires not only a change in legislation but a softening of the National Union of Mineworkers' hostility to flexible working arrangements.

## BT finalising foreign ventures

BY TERRY DOOSWORTH

BRITISH TELECOM expects to sign at least one large-scale investment contract with an overseas telecommunications company in the first few months of next year, and has several other deals "on the boil."

Negotiations on a number of foreign joint venture agreements involving investments of \$50m and over were disclosed yesterday by Mr John King, managing director of the UK group's overseas division.

He said that within a few years BT might be involved in investments amounting to hundreds of millions of pounds.

He said: "The scale of growth in telecommunications is going

to be enormous in some overseas countries."

Mr King, who was in charge of BT's corporate strategy during its privatisation, virtually set up the overseas division from scratch.

In the past, BT's main activity overseas was in the sale of equipment. Mr King has now mapped out a strategy based on taking equity stakes in foreign telecommunications companies that provide special services to network operators.

"To deliver sizable returns from foreign investments, there is no doubt that you have to go for

large contracts," he said.

Mr King refused to give details of projects currently under discussion. But he touched on a number of countries where BT had established contacts and was trying to interest the local telephone operating companies in new services.

They included India, where BT has set up a joint venture with a local company aimed at setting up a private telephone network for a group of industrial companies, and New Zealand, where the Government is considering extensive privatisation plans.

A further large project is under negotiation in China.

## Viewing the evidence for three rival satellite TV standards

Raymond Snoddy on an important day of talks on Europe's private television launch

SENIOR executives from Astra, the 16-channel television satellite project based in Luxembourg, will hold an intensive day of presentations today in London with potential British programme suppliers to try to reach agreement on a transmission standard.

With less than nine months to go before Astra is due to be launched on an Ariane rocket, there are still supporters of three different technical standards.

Equipment manufacturers have told Societe Europeenne des Satellites, the company behind Astra, Europe's first completely private sector television satellite, that they need a final decision by the middle of next month if receiving equipment is to be in the shops in time.

Astra is to be the first of the medium-power satellites launched specifically as a television satellite. Although its main immediate market will be to feed cable television networks, the satellite is powerful enough to reach individual dish aerials on homes throughout most of Western Europe.

The three different standards are D2-MAC, D-MAC and PAL. In continental Europe there is wide spread support for the first, used by both the French and West Germans for their direct broadcasting projects. Manufacturers such as Thomson, Philips, Salora and ITT have formed the Euro MAC consortium to support it as Europe's satellite transmission standard.

In Britain there is strong support for D-MAC, the standard to be used by British Satellite Broadcasting, the UK direct broadcasting venture. In particular British Telecom, which has an agreement with Astra to market up to 11 of its 16 channels, would prefer it partly because that is the choice of most of the potential UK operators.

The main difference between the two MAC standards is that D-MAC has eight sound channels compared with D2-MAC's four. That is an important difference for companies such as W.H. Smith which are committed to the internationalisation of its channels such as Screen Sport and therefore need the capacity to add language tracks.

Astra executives are also keen to have more than one source of the microchips needed for the receiving equipment. That backs up the argument for D2-MAC. The ITT West German subsidiary Intermetall, after delays and difficulties, is producing D2-MAC chips.

The other main source of chips for Astra equipment will be a joint venture which brings together Plessey, the UK electronics company, Mullard, the Philips component subsidiary, and Nordic, a Norwegian microchip design company.

Mr Bernard Rogers, chairman of the technical committee of the British Electrical and Allied Manufacturers' Association and a consultant to the Department of Trade and Industry, backs D-MAC because "it is future proof and believes that in terms of its ability to carry sound and information D2-MAC has already used up most of its capacity."

"It would be extremely foolish, however, to play King Canute if he decides on D2-MAC," says Mr Rogers. He believes there would be no sense in choosing PAL.

Mr Steve Maine, head of Vision Services at British Telecom International, the department responsible for marketing the 11 channels, says: "I will not be party to forcing transmission standards on UK programmers."

He believes the satellite may have to go out in two different transmission standards.

## Rescue offer expected for Highland Express

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE LIQUIDATORS of Highland Express, the Scottish-based airline that ceased trading on Friday, hope today to receive details of a rescue package which was being put together yesterday by Mr Randolph Fields, the US lawyer who founded the airline.

A statement yesterday from Mr Christopher Morris and Mr Robin Wilson of Touche Ross, the joint liquidators, said they would support "any realistic rescue attempt."

But they gave a warning that time was critical. Any rescue plan would have to be mounted within the next 48 hours "or the

position would become even more difficult to resolve."

The rescue is understood to involve a \$3.9m refinancing package, a consortium and new outside investors. The plan may also seek six months' "holiday" from lease payments due on the airline's one Boeing 747, with staff on half pay for two months.

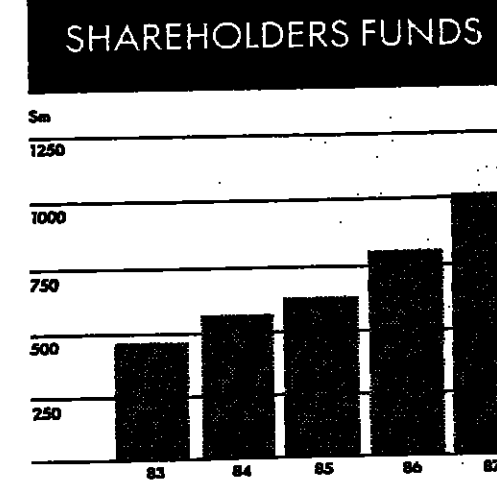
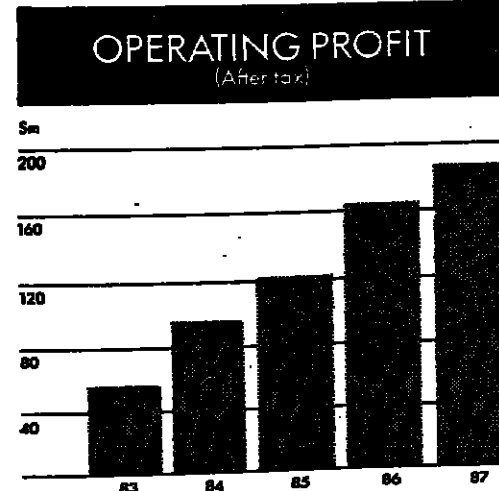
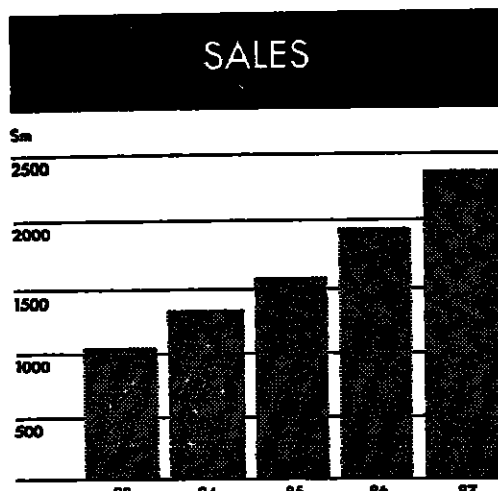
Until any rescue plan became effective, said Mr Wilson, passengers who had booked and paid the airline could not get refunds. Highland Express employs about 200 people. Its chairman is Sir Ian MacGregor.

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## UK NEWS - PARLIAMENT and POLITICS

## Claimants to be told of vacancies

BY IVOR OWEN

NEW CLAIMANTS for unemployment benefit in areas where there is a buoyant demand for labour are to be informed of occupations in which jobs are immediately available. Mr Norman Fowler, Employment Secretary, announced in the Commons last night.

The new procedures he intends to introduce - as soon as possible after February 1, 1988 - were immediately denounced from the Labour benches as a further "turning of the screw" against the unemployed.

Ms Clare Short, speaking from the Labour front bench, suggested that they should be opposed by the "triple alliance" comprising representatives of leading trade unions, local authorities and voluntary bodies - which has already refused to

co-operate with the Government's plans for rationalising training for the long-term unemployed.

She also joined in demands from the Labour and Tory backbenches for an investigation into allegations that some employers are conniving with low-paid workers who are continuing to draw unemployment benefit while in full-time employment.

Mr Richard Holt (C Lambourne) said a large number of people employed by a private contractor in the north-east of England had been drawing unemployment benefit and he urged the Government to deal with those directly and indirectly involved in such "cheating".

Citing a similar incident, Mr Bob Clay (Lab Sunderland N)

said 20 workers who secured jobs after responding to an advertisement in a newspaper in his constituency had been told by their employer that they would be "sacked" unless they agreed to "fiddle" by continuing to draw unemployment benefit.

Ms Short said she had been approached by a number of people who had been taken by their employer in a car or other vehicle to "sign on".

She claimed that such incidents illustrated the "massive fiddle" taking place in which employers paying low wages relied on them being supplemented by the dole.

Mr John Cope, Minister of State for Employment, promised that an investigation would be made if relevant information was supplied to his department.

Responding to demands by Mr Clay for more effective policies to provide jobs in the north, he looked for an improvement in the situation there now that the national unemployment figures were "firmly established on a downward trend".

Mr Cope welcomed the growing awareness of the link between pay and jobs but warned of the dangers if the present growth in earnings of about 7% per cent - almost double the rate of inflation - continued.

He rejected charges by Mr Clay - who called for the re-election of Mr Arthur Scargill as President of the NUM - so as to further the campaign for a reduction in working hours and longer holidays - that the private sector had failed the northern region.

## Tory poll tax rebels put at less than 30

By Peter Riddell, Political Editor

THE GOVERNMENT is confident that no more than 25 to 30 Tory backbench MPs may rebel on Thursday night at the end of the Commons second reading of the bill to replace domestic rates with the universal community charge or poll tax.

The revolt could never the less reduce the Government's majority to below 50, or half its nominal figure, thus marking the largest rebellion since the June general election and giving an encouraging signal to the bills critics in the House of Lords.

There has been considerable interest at Westminster in the motion tabled for voting at the end of the second reading debate instructing the standing committee to consider a proposal to make the charge fairer by band-

Peter Riddell examines the question of who will lead the new merged party

## Alliance attention shifts to leadership

NOW THAT the joint Liberal/Social Democratic Party negotiating team is this afternoon at last due to ratify the constitution of the new Alliance party, attention will shift to the question of who will be the new leader.

This issue will not be finally resolved until next autumn, either before or after the first conference of the new party, depending on whether the view on timing of such an election of Mr David Steel or Mr Robert MacLennan, respectively, prevails.

The key is, of course, Mr Steel's decision on his future, promised for January. He is genuinely undecided, his view apparently wavering from day to day. By next spring he will have been leader for 12 years, through several ups and downs, and he has recently made no secret of his impatience with the long drawn-out negotiations and his more tiresome colleagues.

Hence, there are obvious attractions for Mr Steel in returning to the backbenches since, at 49, he has plenty of



David Steel: still wavering from day to day

time to develop his other interests.

Yet, he also feels that the new party has a real opportunity of winning support when the Tories become unpopular, given what he sees as the continuing unresolved problems for Labour

of modernising its policies and appeal. So why should he give up now if there is a chance of fulfilling his long-term hopes?

However, some prominent Liberal activists feel that Mr Steel lacks the freshness necessary to lead and inspire a new party. There should be a full new start. Mr Robert MacLennan, who has developed leadership ambitions, having proved to be tougher and more decisive than generally expected when he put himself forward in August. Yet some Social Democrats believe that he should not delude himself. The talents required to handle the merger negotiations and act as a "honest broker" are not those of a leader of a new party. But Mr MacLennan has his supporters and a loyal ally in fellow MP, Mr Charles Kennedy.

The obvious Liberal contenders if Mr Steel stands down are Mr Paddy Ashdown and Mr Alan Beith. Mr Ashdown is the favourite, a charismatic figure popular in the party with the Liberal rank-and-file, though for that reason viewed with caution by

many Social Democrats. Many of Mr Ashdown's parliamentary colleagues question his judgment and argue that he is inconsistent on, for example, defence questions.

By contrast no one doubts Mr Beith's soundness and solidity. But he is widely regarded as a mediocre performer despite his admiration of Mr Steel, among others, for his abilities, notably as a negotiator.

The odds are that Mr Ashdown could probably beat any of his rivals - with Liberals probably outnumbering Social Democrats by more than 2 to 1. But his probable success might deter a number of Social Democrats from joining the new party and those who had joined the open arms of Dr David Owen and his continuing SDP group.

Hence, Mr Steel is being strongly urged to stand as leader of the new Alliance party by a number of Liberals and Social Democrats who fear that any other candidate might be divisive and would give a propaganda advantage to Dr Owen.



Nicholas Ridley: challenged over council support

ing the rate in proportion to ability to pay. This is rejected by ministers as amounting to no more than a form of local income tax.

The expectation among those involved on the government side is that the Speaker may not call this instruction because it can be covered by ordinary amendments to the bill. However, if it is called, a larger number of Tories - possibly more than 35 to 40 - might rebel than on the main second reading vote.

Ahead of the two-day debate starting tomorrow, there has been a daily barrage of criticism of the proposal.

Mr Simon Hughes, the Liberal environment spokesman, yesterday published a survey of 23 councils indicating sharply higher pollution costs than for domestic rates. He challenged Mr Nicholas Ridley, Environment Secretary, to name just one district authority which had made representations wholeheartedly endorsing the new tax.

Sir Philip Goodhart, Conservative MP for Beckenham and a critic of the proposal, last night said in his constituency that under the present proposals people in his poorest ward would face an increase of 50 per cent in their bills, while those in the most prosperous ward would find their bills were cut.

## Owenites gain in name fight

By Michael Cassell, Political Correspondent

THE OWENITE faction of the Social Democratic Party last night won an important step in its fight to lay claim to the SDP title after the planned launch of the new Alliance party.

At a meeting of the SDP's national committee, the Owenites called for transitional arrangements during the merger period, the pro and anti-merger factions pledged themselves to end the recent spate of damaging infighting and to enable the creation of a new party to take place with the "maximum amount of goodwill".

At yesterday's meeting of the SDP national committee, Mr John Cartwright, the party vice-president and a leading supporter of Dr David Owen, the former SDP leader, won majority support for a resolution rejecting a move by the pro-merger leadership to retain the SDP title until after the next general election.

The pro-merger camp claims that it wants to retain the title in order to ensure that donations to the party continue to attract inheritance tax relief. In order to do so, a public party must have at least two MPs elected at a general election.

But at yesterday's meeting, Mr Cartwright won support, by 17 votes to 12, for a resolution which rejected the legal provision for the continuation of the SDP as a residual body until after the next election, "believing it to be out of keeping with the respect for the obvious wish of many SDP members to continue to call themselves Social Democrats and to operate within a constitution similar to the existing constitution of the SDP".

The resolution also said that no purpose would be served by "trying to pretend that those who will continue to call themselves Social Democrat MPs, Social Democrat peers and Social Democrat councillors have no rights and are not worthy of respect".

The national committee decided that, after the special January conference called to decide whether or not to put the merger package to a ballot, to establish a small group from pro and anti-merger factions to oversee the transitional arrangements for the merger.

Mr Cartwright also attempted to re-open the issue of the distribution of SDP subscriptions.

He said that up to 20,000 memberships were up for renewal in early 1988 and that members should be able to decide whether residual funds should go to the new party or the Owenites.

## Claims of Treasury profit from RPI benefits mistake denied

BY TOM LYNCH

THE TREASURY will not profit from the holding back of benefits arising from the miscalculation of the retail price index over 21 months, Mr Norman Fowler, the Employment Secretary, told the Commons yesterday.

However, he made it clear that the Treasury's index-linked benefits were less than they would have been if the correct RPI figure had been used would be entitled to repayments.

He was repeatedly challenged by Labour MPs over how he could ensure no gain to the Exchequer when not all "losers" would be reimbursed.

Mr Fowler, answering an emergency question from Mr Michael Meacher, shadow Employment Secretary, said state pensioners and severely disabled would be compensated for loss of benefit, but refused to comment further in advance of a statement to be made later this

week by Mr Nicholas Scott, Social Security Minister.

However, he said the Government would draw a distinction between those totally dependent on benefits since the error began to take effect last February and those who had moved in and out of benefit.

Mr Meacher argued that tax allowances and index-linked savings contracts had also been undercalculated, and told Mr Fowler he had a statutory obligation to recompense all those on index-related benefits, those with National Savings and occupational pensioners.

"There are no lengths to which this Government will not go to claw back money from those whom it alleges have been overpaid. You must now be even-handed in repaying all you have short-changed."

Mr Fowler told MPs a mistake in 1985 in one of the computer

programmes for calculating the monthly RPI had led to an average 0.1 percentage point understatement of the year-on-year inflation rate in most of the months between February 1986 and October 1987.

The effect would be an underpayment of £7.80 over two financial years for index-linked state pensions. The error had come to light during a routine check, and had been rectified.

The heads of the government statistical service had been asked to review the calculation system.

He rejected a suggestion by Mr Meacher that cuts in the statistical service were to blame for the mistake, and drew conservative laughter by suggesting that the computer had been primed to handle "socialist inflation" where the figures before the decimal point were so large that those after the point could be overlooked.

## House role of Scrooge refused

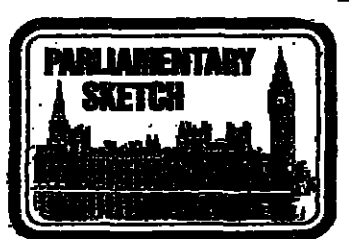
THE LABOUR Party continued its heart-rending performance of A Christmas Carol at Westminster yesterday with much wringing of hands at the state of Thatcherite Britain as we approach the festive season.

The Labour version depicted a country groaning under a return to Victorian values. An uncaring Government had turned its back on the elderly pensioners, who were being turned away from overcrowded hospitals and over cultural hospitals was withering as the arts were starved of funds.

But Norman Fowler, Employment Secretary, resolutely refused to be cast in the role of Scrooge when he answered a Labour private member's question on the mistake in calculating the retail price index and the effect this would have on pensioners and others on benefit.

Always a quick thinker when he is in a tight corner, Mr Fowler came out with the startling revelation that the mistake was all the fault of a computer programming error which was an inheritance from those years of wicked Socialist government when inflation was raging at over 20 per cent. And we all remembered how the pensioners suffered in those far off dark ages didn't we?

"No-one stole more from



the pensioners than the last Labour Government and the honourable gentlemen opposite know it," he roared at Michael Meacher, Labour's employment spokesman.

In the face of these tactics Mr Meacher found it difficult to draw tears from the audience.

"There are no lengths to which this Government will not go to claw back money from those whom it alleges have been overpaid," he intoned.

Mr Fowler sighed with affectionate indulgence. The House, he said, was used to Mr Meacher "and the way he usually manages to blow any opportunity given to him."

The same acrimonious note predominated during energy questions. Labour's Max Madden complained of the "old and the cold" facing higher electricity tariffs, so that "big city slickers" could make a profit when the electricity industry was privatised.

Paradoxically the same point was made much more elegantly by Hugh Dykes,

one of the unconstructed "wets" on the Tory benches. Perhaps, he suggested, there was a subtle point in the Government's policy, that as so-called "wets", Electricity tariffs were going up so that the rate of return could be increased prior to privatisation. But once privatised, increased competition would mean that charges would come down again. Did this really make sense?

Arts Minister Richard Luce also had his turn in the pillory with Labour criticism of the levels of arts funding. However, Mr Luce was at least able to assure us that his sweetest and harmony at recent meetings of EC cultural ministers.

Naturally, Labour's Tony Banks immediately suggested a scheme that would put the arts at risk. Not only did he want Britain to return the Elgin Marbles to Greece, he also proposed a gigantic swap arrangement between the member states so that all national art treasures could be returned to the original owner countries. Optimistically, he referred to this as a "civilised exchange".

Acidly Mr Luce observed that if such a scheme was ever put into operation the shipping lanes of the world were going to be extremely busy for years to come.

JOHN HUNT

## Shield for bridge plan faces block

By Our Political Editor

THE GOVERNMENT is prepared, if necessary, to override any proposal by the cross-party select committee on the Dartford-Thurrock Crossing Bill that the planned bridge over the Thames should have a special wind-shield.

The expectation at Westminster is that the committee will today vote by a five to two majority for such a wind-shield, which is suggested, would add \$15m to the cost of the project and add between one and three years to construction time.

Ministers will then take advice as to whether the proposal is justified. Only a few bridges throughout the world apparently have such a shield.

The present view is that such an addition is unnecessary and might jeopardise the commercial justification for the whole project.

The Government would therefore be prepared to use its majority to delete such a recommendation from the bill, probably at its report stage on the floor of the Commons.

The committee is expected to amend the proposal because of a rebellion by two Tory MPs.

## Power grid to remain intact

By Tom Lynch

A CATEGORICAL assurance that the national electricity grid will not be broken up when the industry is privatised was given by Mr Cecil Parkinson, the Energy Secretary, in the Commons yesterday.

"Nobody in the Electricity Council, area boards, the Central Electricity Generating Board or the Government wants to see the grid broken up," he told MPs at question time. "There is and has been no question as to any time of the break-up of the national grid."

Mr Parkinson also confirmed that discussions were continuing on the question of whether the generation and supply of electricity should be separated or, as advocated by the CEBG, sold as one unit.

## Advertising costs of sell-off announced

ADVERTISING COSTS in the privatisation of British Gas in November 1986 were \$24.6m out of a total marketing cost of \$40m, the Public Accounts Committee was told yesterday.

The committee also heard that \$6.4m was spent by the Government and British Airways in advertising the airline's flotation in January out of total marketing costs of \$10.2m.

## Howe dismisses 'rift' with Thatcher

BY WILLIAM DAWKINS IN BRUSSELS

SIR GEOFFREY Howe, Foreign Secretary, yesterday dismissed suggestions that he was distancing himself from the Prime Minister, but admitted to small differences of opinion, notably over membership of the European Monetary System.

Speaking in Brussels, Sir Geoffrey denied that a letter to his constituency chairman, published on Sunday, was intended as personal criticism of Mrs Margaret Thatcher.

He said it was simply a presentation of the policies that the Government will be following in the next decade. I would say it is entirely in harmony with the views of the Prime Minister and her colleagues.

However, Sir Geoffrey admitted "that does not mean that there is unanimity on each phrase of each clause."

He highlighted British mem-

bership of the exchange rate mechanism (ERM) of the EMS, something which he has advocated with the support of Mr Nigel Lawson, the Chancellor, but on which Mrs Thatcher has been notably cautious.

But Sir Geoffrey insisted: "It is solely a question of when we become full members of the ERM and we will do so, in a phrase on which we are all agreed when the time is right."

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U.S. \$50,000,000 13 1/4% Debentures Due 1992 (the "Notes and Debentures")	

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Under the terms of the November 19, 1987 Amended Arrangement Agreement between Dome Petroleum Limited and Amoco Canada Petroleum Company Ltd., the holders of the Notes and Debentures referred to above, if the Plan of Arrangement referred to in the Amended Arrangement Agreement is approved by creditors of Dome Petroleum Limited and its subsidiaries, shareholders of Dome Petroleum Limited and the Court and all other preconditions to the closing of the transaction are satisfied, receive on closing a cash payment equal to 45% of the outstanding principal and interest on the Notes and Debentures held, which payment will be calculated as of the first day of the month during which the Plan of Arrangement becomes effective. This payment would be made to the holders of the Notes and Debentures referred to above in exchange for all of the holder's right, title and interest, actual or contingent, in and to such Notes and Debentures following which such holders would have no further rights to receive principal, interest or any other payments on such Notes and Debentures.

As described in the accompanying Advertisement, a Court hearing has been scheduled for January 26, 1988 at Calgary, Alberta, Canada. This will be a preliminary hearing on the issues identified in the accompanying Advertisement. No voting by creditors will take place at that hearing. Creditors will be given the opportunity to vote for or against the Plan of Arrangement at a subsequent date as prescribed by the Court and proper notice thereof will be given to the holders of the Notes and Debentures.

This Notice is published on behalf of Dome Petroleum Limited and Amoco Canada Petroleum Company Ltd. for the sole purpose of providing additional summary information to the holders of the Notes and Debentures referred to above.

The Notice is not an offer to purchase or redeem or a solicitation of an offer to sell the Notes or Debentures. Information with respect to the Plan of Arrangement will be contained in an information circular to be distributed prior to the solicitation of votes or consents.

Any interested Holders wishing to obtain copies of certain documents pertaining to the court application, namely the Petition, the Order, the Notice of Motion and the Affidavit filed in support may do so at the following offices of the respective Paying Agents on or after the 18th day of December, 1987.

U.S. \$75,000,000 Floating Rate Notes due 1988 - Societe Generale Alsacienne de Banque (Luxembourg), 15 Avenue Emile Reuter, Luxembourg (Grand-Duché), as principal Paying Agent; European American Bank and Trust Company (New York), 10 Hanover Square, New York, New York 10005, U.S.A.; Kuwait Investment Company (S.A.K.) (Kuwait), Mubarak al-Rabi Street, Kuwait City, PO Box 1005 Safat, 13011 Safat Kuwait; Morgan Guaranty Trust Company of New York (Brussels), 35 Avenue des Arts, 1040 Brussels, Belgium; Societe Generale (Paris), International Finance Department, 3 Rue Lafayette, 75009 Paris, France; Societe Generale (London), 60 Gracechurch Street, London EC3V 9HD, England.

U.S. \$3,130,000 15 1/4% Fixed Rate Notes due 1989 and U.S. \$50,000,000 Floating Rate Notes due 1989 - Societe Generale Alsacienne de Banque (Luxembourg), 15 Avenue Emile Reuter, Luxembourg (Grand-Duché), as principal Paying Agent; Banque Generale du Luxembourg S.A. (Luxembourg), 14 Rue Aldringen, Luxembourg (Grand-Duché); European American Bank and Trust Company (New York), 10 Hanover Square, New York, New York 10005, U.S.A.; Morgan Guaranty Trust Company of New York (Brussels), 35 Avenue des Arts, 1040 Brussels, Belgium; Societe Generale (Paris), International Finance Department, 3 Rue Lafayette, 75009 Paris, France; Societe Generale (London), 60 Gracechurch Street, London EC3V 9HD, England.

U.S. \$50,000,000 10% Debentures Due 1994 and U.S. \$50,000,000 13 1/4% Debentures Due 1992 - Canadian Imperial Bank of Commerce (Toronto), Main Branch, Commerce Court, Toronto, Canada M5L 1G9 as principal Paying Agent; Canadian Imperial Bank of Commerce (London), 55 Bishopsgate, London EC2N 3BN, England; Banque Generale du Luxembourg S.A. (Luxembourg), 14 Rue Aldringen, Luxembourg (Grand-Duché); Deutsche Bank Aktiengesellschaft (Frankfurt), Taunusanlage 12, D-6000 Frankfurt am Main 1, West Germany; Morgan Guaranty Trust Company of New York (New York), 30 West Broadway, New York, New York 10015, U.S.A.; Morgan Guaranty Trust Company of New York (Brussels), 35 Avenue des Arts, 1040 Brussels, Belgium; Swiss Bank Corporation (Zurich), 6 Paradeplatz, 8022, Zurich, Switzerland.

## In the Court of Queen's Bench of Alberta Judicial District of Calgary

In the Matter of the Canada Business Corporations Act, S.C. 1974-75, c. 33, as amended

## and in the Matter of a Plan of Arrangement Proposed by AMOCO ACQUISITION COMPANY LTD.

TAKE NOTICE that AMOCO ACQUISITION COMPANY LTD. ("Amoco Acquisition"), a corporation incorporated under the laws of Canada, intends to propose an arrangement (the "Plan of Arrangement") under the Canada Business Corporations Act, pursuant to the terms of the Arrangement Agreement dated May 12, 1987 between Dome Petroleum Limited ("Dome") and Amoco Canada Petroleum Company Ltd. ("Amoco Canada"), as amended by agreements dated as of June 15, July 15, September 15, October 15 and November 19, 1987 (as so amended, the "Amended Arrangement Agreement").

FURTHER TAKE NOTICE that the Plan of Arrangement will affect the holders of the Eurodollar Debt (as defined in the Amended Arrangement Agreement) which debt is comprised of the following notes and debenture issues:

- the notes comprising the outstanding principal amount of the U.S. \$75,000,000 Floating Rate Notes due 1988 of Dome constituted by a Trust Deed dated as of October 1, 1981 and made between Dome and The Law Debenture Corporation P.L.C. ("Law Debenture"), as supplemented and amended by a First Supplemental Trust Deed dated as of 1st September, 1986 and a Second Supplemental Trust Deed dated as of 28th October, 1986;
- the notes comprising the outstanding principal amount of the U.S. \$3,130,000 15 1/4% Fixed Rate Notes due 1989 of Dome constituted by a Trust Deed dated as of March 18, 1982 and made between Dome and Law Debenture, as supplemented and amended by a First Supplemental Trust Deed dated as of 1st September, 1986 and a Second Supplemental Trust Deed dated as of 28th October, 1986 (as so supplemented and amended, the "1989 Trust Deed");
- the notes comprising the outstanding principal amount of the U.S. \$50,000,000 Floating Rate Notes due 1989 of Dome constituted by the 1989 Trust Deed;
- the debentures comprising the outstanding principal amount of the U.S. \$50,000,000 10% Debentures Due 1994 of Dome constituted by a Trust Deed dated as of the 15th day of July, 1979 and made between Dome and The Canada Trust Company, as supplemented and amended by a First Supplemental Trust Deed dated as of the 1st day of September, 1986 and a Second Supplemental Trust Deed dated as of October 28, 1986; and
- the debentures comprising the outstanding principal amount of the U.S. \$50,000,000 13 1/4% Debentures Due 1992 of Dome constituted by a Trust Deed dated as of the 1st day of May, 1980 and made between Dome and The Canada Trust Company, as supplemented and amended by a First Supplemental Trust Deed dated as of the 1st day of September, 1986 and a Second Supplemental Trust Deed dated as of October 28, 1986.

FURTHER TAKE NOTICE THAT an application will be made by Amoco Acquisition before the presiding Justice in Chambers at the Court House, 811 - 4th Street S.W., Calgary, Alberta, Canada on Tuesday the 20th day of January, 1988 at the hour of 10 o'clock in the forenoon, or so soon thereafter as counsel may be heard, for an Order or Orders providing the following:

- a declaration that
- the Plan of Arrangement, as contemplated in the Amended Arrangement Agreement and as described in the Affidavit of an Officer of Amoco Acquisition, is an arrangement within the meaning of Section 185.1 of the Canada Business Corporations Act;
- this Honourable Court has the jurisdiction to approve the Plan of Arrangement; and
- the Final Order (as defined in the Amended Arrangement Agreement) shall, if granted, be binding on non-assenting shareholders of Dome and on non-assenting creditors of Dome and its subsidiaries;
- directions, if the Court sees fit, as to the:
- classification of shareholders of Dome and creditors of Dome and its subsidiaries into classes of shareholders and creditors for the purpose of voting;
- voting levels or methods required to approve the Plan of Arrangement by the shareholders of Dome and the creditors of Dome and its subsidiaries, so as to be binding on all shareholders of Dome and the creditors of Dome and its subsidiaries; and
- calling, holding and conducting of such meetings as may be required by the Court;
- directions as to the method for future service of materials on interested persons; and
- such other and further orders and directions as this Honourable Court may deem just.

Any interested persons wishing to obtain copies of certain documents pertaining to the application, namely the Petition, the Order, the Notice of Motion and the Affidavit filed in support, may do so at the following offices on or after the 18th day of December, 1987:

The Law Debenture Corporation P.L.C.  
Princes House  
95 Gresham Street  
London, England  
EC4V 7LY

The Canada Trust Company  
505 - 3rd Street S.W.  
3rd Floor, Corporate Trust Department  
Calgary, Alberta  
Canada  
T2P 3E8

Any interested persons intending to make submissions on the return of the Motion shall file and serve a notice of their intention to appear, including their address for service, on Amoco Canada, Amoco Acquisition and Dome at least 15 days prior thereto and shall file and serve on Amoco Canada, Amoco Acquisition and Dome any material on which they intend to rely at least 7 days prior thereto. Service on Amoco Canada, Amoco Acquisition and Dome is to be effected by delivery at the addresses set forth below:

Messrs. Bennett Jones  
3200 Shell Centre  
400 - 4th Avenue S.W.  
Calgary, Alberta  
Canada  
T2P 0X9

Messrs. Howard, Mackie  
#700, 801 - 7th Avenue S.W.  
Calgary, Alberta  
Canada  
T2P 3S4

Attention: Mr. Anthony L. Friend  
Solicitors for Dome

Attention: Mr. Frank R. Foran  
Solicitors for Amoco Canada and Amoco Acquisition

This Notice is being published pursuant to the Order of the Honourable Chief Justice of the Court of Queen's Bench of Alberta, Canada dated the 1st day of December, 1987.



## UK NEWS

James Buxton discovers that Scotland's thriving electronics industry still has some way to go

## Silicon Glen strives to meet the foreigners' demands

"WE ARE achieving critical mass," said Mr Ian Lang, Industry Minister at the Scottish Office, a trifle cautiously in a recent interview. He was referring to the state of good news about Silicon Glen, the catchphrase for the Scottish electronics industry.

Over the past few months Ford has announced that it is setting up a plant at Dundee to make electronic components for its vehicles, employing 400 people; and Compaq, the US personal computer maker, has brought forward by a year the doubling of capacity at its plant near Glasgow which does not even open until next month.

Two other US companies, Avex and Techdyne, have recently announced plans to set up components plants in Scotland. NEC, the Japanese semiconductor maker, is now manufacturing its own megabit chips - the latest generation of memory chips - at Livingston, while Motorola, its US rival, is making East Kilbride its world centre for the manufacture of such products.

JVC, the Japanese electronics company, announced yesterday that it had chosen East Kilbride as the site for a plant to build a range of colour television sets and, at a later stage, compact disc machines and computer display monitors.

The only jarring note amid these and other announcements is that Integrated Power Circuits, a start-up company in semiconductors founded by US executives with British venture capital, went into receivership last month when its lead investor, Investors in Industry (3i), withdrew its backing.

The company and 150 of its employees have been saved, however, by the entry of the US

components company Seagate Technology, which has taken a majority stake.

Even so, Mr Lang was treading on dangerous ground when he used the term "critical mass" in connection with Silicon Glen.

Critical mass used to be a favourite phrase of the Scottish Development Agency: it implied that after a sufficient number of electronics companies had been attracted to Scotland, growth in the industry would become self-perpetuating.

That implied that other original equipment manufacturers would follow them almost automatically, local and foreign-owned companies would spring up to supply them with components, and teams of executives would spin off from the leading companies to set up their own operations. Silicon Glen would come to resemble Silicon Valley in California.

Unfortunately, only some parts of that dream are coming true, and the SDA now uses the term "critical mass" sparingly. Ministers may be allowed a little more licence.

Professor Neil Hood, who runs Locate in Scotland, the joint venture between the SDA and the Scottish Office that attracts inward investors to Scotland, says that "at one level" Scotland has reached "a self-perpetuating position" in electronics.

The scale of what we have here and the size of the market for subcontractors means that any manufacturer who wants to be in Europe has to think seriously about coming here.

But, he adds, "Competition for inward investment is so severe that you could not take your hands off" and expect companies to come to Scotland anyway.

If the sole purpose of Silicon Glen was to persuade overseas



Disk drive production at Rodime's factory in Glenrothes, Fife.

manufacturers to locate their European plants in Scotland, it has been a success and is doing particularly well at the moment.

"A lot of companies that come to see us are genuinely amazed by what we've got here," says Prof. Hood.

International Business Machines (alone employing nearly 3,000 people), Hewlett Packard, Digital Equipment, Honeywell, Wang and now Compaq lead the information technology equipment makers. In the semiconductor field Scotland has, in addition to NEC and Motorola, companies such as

National Semiconductor, General Instruments and Burr Brown.

No other development area of Europe has such a concentration of leading electronics manufacturers and, not surprisingly, other inward investment agencies are studying the methods that Locate in Scotland uses to attract its prey.

Foreign-owned companies account for about 40 per cent of total employment in the electronics industry, which in 1986 was put at around 44,000 - a figure that shows a reasonable, although not spectacular, increase on the 1976 figure of 36,000.

More than a quarter of Scottish electronics employment is accounted for by one company, the British concern Ferranti, which operates mainly in defence electronics and alone employs 12,000 people. The industry's output doubled in value between 1979 and 1986, and it was mainly thanks to electronics that Scotland's total manufacturing output regained its 1979 level by 1986.

Overseas electronics companies in Scotland generally pronounce themselves satisfied with the quality and productivity of their (nearly always non-unionised) workforce. They play down the importance of grants and regional aid as reasons for being in Scotland, pointing out that all development areas in the European Community offer assistance with the Scottish financial package rarely being the best.

The foreign-owned companies, even though some employ no foreigners, are branch plants, their continued existence usually subject to decisions made at head offices in the US or Japan. Few do basic research and development in Scotland, although many - such as IBM - develop their own manufacturing processes at their Scottish plants.

Since few carry out marketing operations from Scotland, there is little scope for teams of executives to spin off into the private sector.

An important exception is Rodime, founded by a group of former Burroughs executives, which makes hard disk drives at its headquarters at Glenrothes in Fife, and has plants in Florida and Singapore. After several years of rapid growth, Rodime lost \$13.4m in the year to September 30 on sales of \$72m, partly as a result of production problems and sales falling short

of expectations. The company returned narrowly to profit in the last quarter.

On the whole, the hope that the multinationals would trigger the growth of a strong indigenous electronics industry has not been fulfilled. A 1986 SDA survey showed that although 41 per cent of electronics companies operating in Scotland were Scottish-based, they employed only about 3,000 people between them. Furthermore, Scottish-based companies accounted for only 13 per cent of all the components used in the electronics industry in Scotland.

Most multinationals leave it to their branch plants to decide where they purchase their components. A recent academic survey showed that they did not buy in large quantities from Scottish-based companies because Scottish companies did not supply what they required, or because they were not considered big enough to meet their needs, or because they failed to match the multinationals' requirements on performance.

IBM has publicly lamented that Scottish-based suppliers often fall short of its quality and reliability criteria, and the US company has not found local suppliers of even relatively simple items such as plastic mouldings. Local companies respond that the main manufacturers in Scotland all have different requirements and it is uneconomic to gear up to meet them.

Mr Lang admits that "the opportunities that we are bringing to indigenous companies have not been fully taken up by them." Until they do take advantage of these opportunities, Silicon Glen cannot claim to be fulfilling all the hopes that have been placed in it.

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## Volatile scrap market triggers price increases in some steels

By Nick Garnett

THE PRICE of scrap, an important feedstock for steelmaking, has been more volatile in the past six months than for some years.

Between April and November, scrap prices rose by about 40 per cent before falling back in two weeks by the equivalent of about a quarter of that rise.

United Engineering Steels, the largest private-sector steel company and the biggest user of scrap among steelmakers, said last week that price volatility was an added problem in managing its business.

The rise in prices will lead steelmakers that use scrap - including UES and British Steel Corporation - to surcharge their customers by an estimated \$5 a tonne on some semi-finished steel and hot-rolled and narrow-strip steel.

The scrap surcharge is triggered by the price index carried by the Metal Bulletin metals magazine.

The price of so-called number one old steel scrap rose from \$34 a tonne in April to \$48 at the beginning of last month, before falling back to about \$43. That is still well below peak prices scrap was reaching at the beginning of 1985, when old steel scrap was selling at \$65 a tonne.

BSC says the scrap price is not the reason for price increases it announced last month on certain types of steel. Semi-finished steel, rebar and mild plate, wide plate, tubes for pressure applications and stainless steel flats are being increased by between 4 and 7 per cent in January.

"These increases do not reflect any specific cost increase, but increases in all our costs," the corporation said. "These are prices we can get for the products. Our prices are still competitive with those of Continental producers."

Demand for steel in the UK is now healthier than for some

years. Total weekly output of UK-made steel was running at 370,000 tonnes in November, the highest weekly rate since 1980.

BSC is offering deliveries of 12 to 14 weeks for some of its products.

The scrap price has always been prone to violent movements. Factors involved in this year's steep rise included the artificially depressed price at the beginning of the year, currency movements and heavy demand on the US scrap industry because of the speed at which US steel-making is recovering from the troubles of the mid-1980s.

That demand has fed into the world market for scrap, which is a globally traded commodity. The UK has the world's second largest scrap surplus after the US. The fall in the scrap price during the past month has been caused partly by greater accessibility of scrap in the US.

## Solicitors must stay independent

By Eric Short

THE LAW SOCIETY yesterday announced that solicitors operating in the new financial services environment must not be allowed to represent one life company or unit trust group in dealing with clients.

The stipulation that solicitors must only be independent intermediaries is contained in the society's new rules as a Recognised Professional Body under the 1986 Financial Services Act. Its application to be an RPB was submitted last week to the Securities and Investments Board, the body administering the act.

Under the act, all persons or firms giving investment advice must be authorised to do so. Permission can be obtained either directly from the SIB or from one of the Self-Regulating Organisations under SIB or from a Recognised Professional Body.

The Law Society is adopting the stance that firms, not individual solicitors, must be authorised and that firms whose income from investment work exceeds 20 per cent of the total fee income must apply for RPB status through another route.

The cost to the society of running the operation is put at £1.5m in the first year. Solicitors will be charged £125 for each partner.

## Rothschild stamp duty claim rejected

By Raymond Hughes, Law Courts Correspondent

A CLAIM by J. Rothschild Holdings, the financial services group, that the Inland Revenue abused its powers and acted unfairly in requiring Rothschild to pay \$1.49m stamp duty on a merger transaction has failed in the High Court.

Mr Justice Vinelott yesterday rejected Rothschild's contention that the transaction should have been exempt from duty under an allegedly established Revenue practice.

There was, the judge said, no evidence that the alleged practice ever existed.

He dismissed with costs Rothschild's application for a judicial review of the duty assessment with a view to its being set aside. The dispute arose from the agreed merger in 1983 of The Charterhouse Group and RIT and Northern. J. Rothschild Holdings, under its former name Charterhouse J. Rothschild, was formed to acquire the shares of the two companies on a share-exchange basis.

In January 1985, when the Inland Revenue received a form

recording share allotments by Rothschild, it granted exemption in respect of one allotment but assessed \$1.49m stamp duty on another made on a different date.

Rothschild contended that the Revenue's practice was to exempt from duty allotments recorded on the same form, even if made on different dates, if the form recorded allotments made in exchange for more than 75 per cent of the issued shares of the company being acquired.

The company also asserted that its solicitor had received a telephone assurance from the Revenue's stamp office that that was its practice.

The judge denied the existence of the practice and that any of its authorised staff had given the assurance.

Mr Justice Vinelott said Rothschild had not come anywhere near establishing that the practice had existed at the time.

He was also satisfied that Rothschild's solicitor had not been given an assurance by any authorised person.

## Jetstream sales at 200

By Michael Donne, Aerospace Correspondent

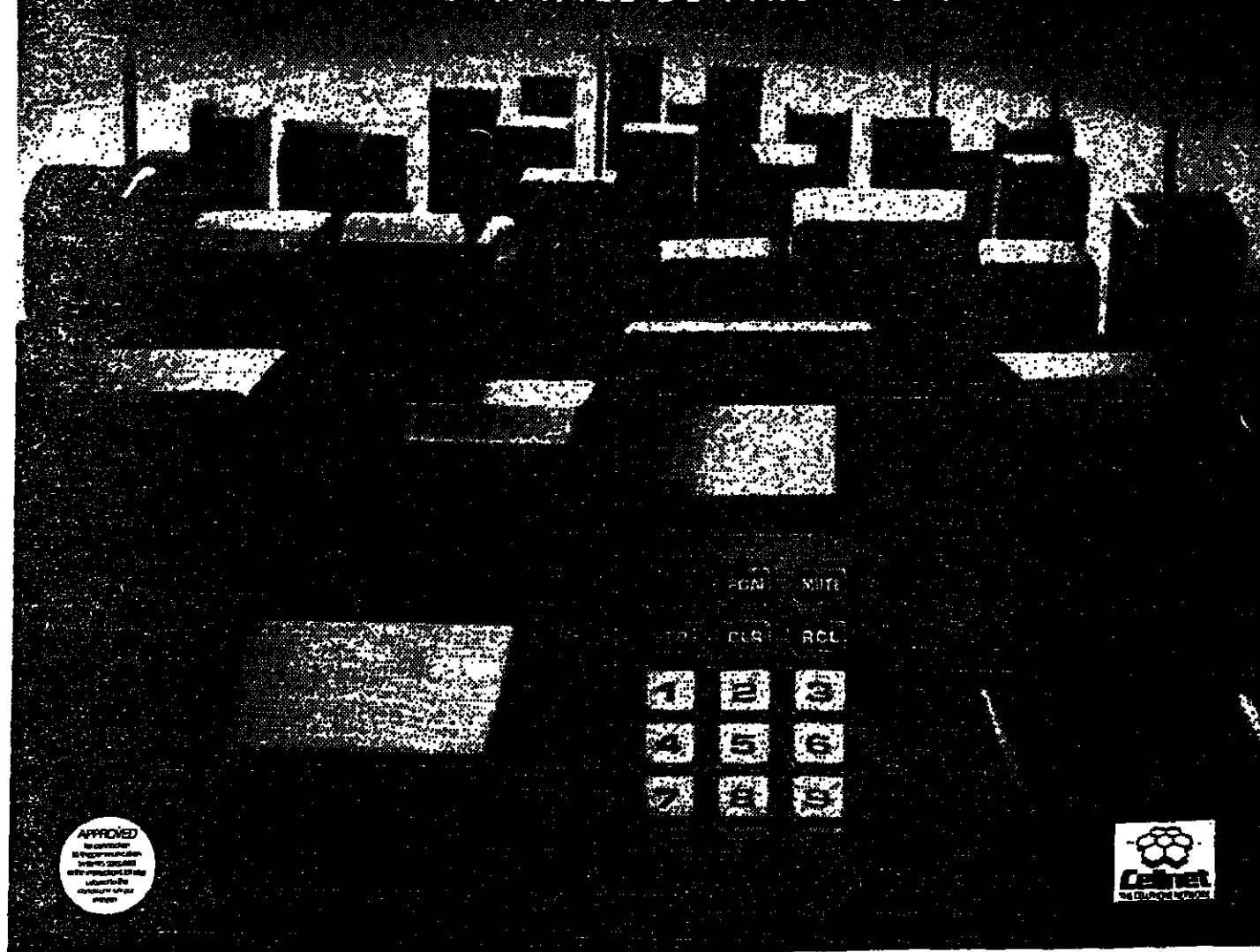
SALES OF the British Aerospace Jetstream 31 twin-turboprop airliner have reached 200, with a re-order for six more aircraft from the Canadian airline, Ontario Express.

The airline, which already has six in service, will receive three

more by the end of this year and three in the first half of 1988.

The 200 mark in sales has been reached in five years since delivery began in 1982 and production at BAe's Prestwick, Scotland, factory has been raised to four aircraft a month. There are options on another 70 aircraft.

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## APPOINTMENTS

## To oversee sale of BR Engineering

BRITISH RAIL director of mechanical and electrical engineering Mr Mike Casey has become project director (BREL). He will be responsible for overseeing the offer for sale of British Rail Engineering. His successor is Mr David Blake, who was director, maintenance policy and implementation at board headquarters and chief executive of British Rail Maintenance.

Mr Brian L. Bailey has been appointed chairman of BAYGILL MACHINE TOOLS. Mrs Dorothy Bailey becomes a director. This follows the takeover of Baygill Machines by Brian Bailey Consultants.

Mr Steve Appleyard has been promoted to director and general manager of MTE. He was export manager.

Mrs Rachel Semlyen has been appointed marketing director of ROLAWN.

Mr Neville Beachid has been appointed financial controller of AMC EXHIBITION (UK) from January 4.

Mr Derek Kingsbury, chairman and group chief executive of the Fairley Group, has been elected chairman of the council of the DEFENCE MANUFACTURERS ASSOCIATION.

Mr Douglas Percival has joined JOHN J. LEES, Cambridge, as a financial controller. He was a senior management consultant with Arthur Young & CO.

Mr G.M. Stuart has been appointed group chief executive of METAL BOX from January 1. Dr N.B. Smith continues as executive chairman.

Mr Gerry Vasey has been appointed general manager/director designate of LAKERS PROCESS ENGINEERING, Sittingbourne, a member of the Kyle Stewart construction group. This is in preparation for the retirement of Mr George Baker next year. Mr Vasey joins from Hydrogen Supplies Engineering.

Mr David A. Scott, currently chairman of Anistics in London has been appointed managing vice president of ANISTICS, New York, from January 1. Anistics is a subsidiary of Alexander & Alexander Services.

Mr Richard Froggatt has been appointed managing director of ST. MODWEN DEVELOPMENTS.

wholly-owned subsidiary of St Modwen Properties. He formerly ran New Walk Properties, Leicester.

Mr Gordon Sandeman has been appointed sales director of BRITISH ALCAN BUILDING PRODUCTS succeeding Mr Bob Tanshill who has been promoted to managing director of British Alcan Stockholders (Scotland), Glasgow. Mr Sandeman returns from Alcan Sharjah when he hands over to his successor Mr Phil Elderby in the new year.



Mr Mark Jarrad, vice president, Parker Hannifin Corporation

Mr Mark J.D. Jarrad has been appointed vice president finance and administration of PARKER HANNIFIN's international sector, based in London. He was president of the intercontinental west sector, based in Cleveland, Ohio.

Mr Gilbert Black has been appointed non-executive chairman of BROWN & TAWSE GROUP from January 1. He was with Lex Group.

Mr Alan Lazarus, Alan Lazarus (Associates), has been elected president of the INTERNATIONAL STEEL TRADE ASSOCIATION. Mr Gordon Sinclair, Bore Steel, has been elected chairman.

CHLOR-CHEM, Widnes, a joint venture between Schering Industrial Products and the Olin Corporation, has appointed Mr Ian McManus and Mr Bob Miskall to the board from January 1.

MULTI CONSTRUCTION (UK) GROUP has appointed Mr David A. Light as group financial director. He was with S.M. Services Inc., as a financial and administration manager.

## CONTRACTS

## Canadian power link-up

GEC has been awarded a \$2m contract by Alberta Power to design, supply and commission a 150MW high voltage direct current converter station at McNeill, Alberta. The station will provide an asynchronous tie between Alberta Power and Saskatchewan Power Corporation. It will be the first interconnection between the Eastern and Western Canadian power networks and will provide the facility to

interchange both standby power and economy energy. GEC Transmission and Distribution Projects of Stafford, England through GEC Canada will supply the converter valves and controls and will be responsible for the overall design and commissioning of the converter station. In 1988 GEC completed on schedule the converter station at Sellindge, the English terminal of the 2000 MW HVDC

submarine link with France. The contract with Alberta Power is the first time the company's latest water-cooled converter valve employing 100 mm thyristors will be used. GEC's electronic controls will be applied to regulate the power interchange and the ac voltages in the two power systems. The scheduled date for completion is November 1988.

## Leeds office development

In a joint development with REVIVAL PROPERTIES of Leeds, RUSH & TOMPKINS is constructing a 35,000 sq ft office development at Wellington House, with a building contract value of £2.3m. The contract involves the demolition of the existing five-storey building at

40/50 Wellington Street, Leeds with the retention of its two listed facades and the construction of 35,000 sq ft of office accommodation with basement car parking. The two listed facades are to be restored and cleaned and an extensive area of new stone work is to be reconstructed to blend with the York stone. The site is situated in the heart of the City, restricting access and unloading of materials. Letting agents for the development, which will be ready for occupation by next December, are Donaldsons and Weatherall Hollis & Gale.

## Refurbishing Deal council houses

BARWICKS, the Dover-based contractor, has been awarded contracts worth £2.8m. The largest, worth £967,000, is for the refurbishment of homes belonging to Dover District Council at Stockdale Gardens, Deal. Also in Deal is an extension to the Methodist School for Kent County

Council at £332,000. In Sandwich, refurbishment works at the secondary school will be carried out for the County Council at a cost of £575,000.

New buildings for the Department of the Environment at Duke of Yorks School total

£206,000 and workshops for Dover District Council at Tower Hamlets worth £422,000 complete local awards. Barwicks have also been contracted to build a £300,000 housing development at Cranbrook for Downland Housing.

## Upgrading British Rail stations

A range of contracts, totalling £4.5m, has been awarded to SDC BUILDERS, Bedford.

Four, worth more than £1.2m, are for refurbishment and maintenance at British Rail stations including new marble booking halls at Kings Cross and Potters Bar.

A film factory design and build package, following earlier work on an industrial park at

Uxbridge, comes from Grand Union Developments. Two pharmaceutical companies, Glaxo, at Ware, and Smith, Kline and French at Welwyn Garden, are expanding and providing SDC with new-build and refurbishment work worth nearly £500,000.

The first stage of the Ford Motor Company's new electronics centre at Dunton is costing

more than £150,000, while at Milton Ernest, near Bedford, SDC has a £600,000 contract to refurbish the Queen's Head for Charles Wells Brewery. The work includes conversion of a barn into bedrooms, and will be completed next May.

Blue Lamp Properties, Cambridge, is spending nearly £1m on three office units for lease on completion next autumn.

## IN BRIEF

SERVISAIR has been awarded a \$4m contract by Britannia Airways for the next summer season. It will involve some 6,000 aircraft turnarounds at Gatwick in the 12 months commencing spring 1988.

A three-year contract worth in the region of £1m has been placed with ASSOCIATED HEAT SERVICES by the Property Services Agency, north eastern region. The contract will involve maintenance of all electrical and mechanical building services for 108 locations in Sheffield, Doncaster, Clowne, Workson, Chesterfield and Bakewell. Among the buildings to be maintained are the Manpower Services Commission head office

in Sheffield plus other DHSS and Inland Revenue offices.

Under a contract worth around £700,000, THORN EMI ELECTRONICS is to update the Cymbeline weapon locating radar in service with the Royal New Zealand and Artillery. As well as a complete overhaul, the programme will involve fitting clutter suppression units and other improvements to bring the radar's performance in line with current specifications. Completion is scheduled for mid 1988.

Four orders worth \$5.5m have been won by SEDDON ATKINSON from fleet operators. Courage Breweries has ordered 50 16-ton 2-11 trucks with lowered "brewery" suspension for multi-drop distribution. All have

173bhp (128kW) Perkins Phaser 180 TI engines. Royal Mail Parcels, Freightliners and Shell have ordered 133 4 x 2 2-11 tractors with both 241 bhp (180 kW) and 278 bhp (206kW) Cummins 10 litre engines. Freightliners' order also includes two twin-steer 3-11s and four twin-steer 4-11 units, also Cummins powered.

AUDITEL SYSTEMS, Chesham, has won an order worth \$100,000 for the design and installation of a computer controlled microphone and sound reinforcement system, initially for up to 150 delegate stations (with a future expansion to 200) for the Connecticut State Legislature House of Representatives. The system, built into the existing furniture of the chamber, combines microphone control, electronic voting, and delegate identification by card reader.

this announcement appears as a matter of record only



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## FT LAW REPORTS

# Stud farm must pay rates

WHITTSBURY FARM AND STUD LTD v HEMENS (VALUATION OFFICER)

House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Griffiths, Lord Oliver of Aylmerton and Lord Goff of Chieveley) December 12 1987

STUD BUILDINGS are not subject to derating as agricultural buildings because, for rating purposes, racehorses are not livestock and, though they may graze on agricultural land, the buildings in which they are bred and reared are not used solely in connection with agricultural operations.

The House of Lords so held when dismissing an appeal by Whittsbury Farm and Stud Ltd from a Court of Appeal decision that it was liable to pay rates on stud buildings.

Section 26 of the General Rate Act 1967 provides: "(1) No agricultural land or agricultural buildings shall be liable to be rated ... (3) ... 'agricultural land' — (a) means any land used as ... pasture ground ... plantation or a wood ... cottage gardens ... nursery grounds ... (4) ... 'agricultural buildings' means buildings (other than dwellings) occupied together with agricultural land ... and ... used solely in connection with agricultural operations thereon ..."

Section 1 of the Rating Act 1971 provides: "(3) ... 'livestock' includes any mammal or bird kept for the production of food or wool or for the purposes of its use in the farming of land ..."

Section 2 "(1) ... each of the following is an agricultural building ... (a) any building used for the keeping or breeding of livestock ..."

LORD KEITH said that four hereditaments at Fordingbridge were situated within or attached to agricultural land. Each comprised buildings of the sort usually found on stud farms, in particular stable blocks, loose boxes, covering yards and sheds, foaling boxes, veterinary rooms, hay stores and feed stores.

The local valuation court held they were entitled to derating. The Lands Tribunal and the Court of Appeal decided they were not.

The basis of the valuation officer's decision that the land occupied with the buildings was agricultural was that it was used for grazing and was "used as ... pasture ground only", within the meaning of section 26(3)(a) of the General Rate Act 1967.

That was right, it followed that the buildings with which the appeal was concerned were occupied together with agricultural land, which was one of the relevant requirements of section

26(4)(a) if a building were to qualify as an agricultural building.

The other requirement was that the building should be used solely in connection with agricultural operations on the land.

"Agricultural operations" was nowhere defined. In its ordinary meaning it indicated operations concerned with the raising of crops or the rearing of animals so as to produce or contribute to the production of the "means of human subsistence" (*Hardie v Assessor for West Lothian* 1940 SC 329, 334).

In the present context, however, it must bear a meaning somewhat wider than that.

Included in "agricultural land" under subsection (3)(a) was land used for a plantation or wood, and also certain cottage gardens and nursery grounds. No operations which were agricultural in the ordinary sense of the word would be carried out on such land.

The ratepayers argued that since use of the land as pasture for thoroughbreds made it agricultural land, the activity of pasturing the horses was necessarily an agricultural operation; that operation was part of the activity of raising and keeping thoroughbreds; the buildings were used for the same activity; and hence the buildings were used solely in connection with an agricultural operation on the land.

It was necessary to consider the meaning of "in connection with".

In *W & J Eastwood v Herrod* [1971] AC 160, 181, Viscount Dilhorne said that the buildings must be used as adjuncts to the agricultural operations on the land. Lord Reid said: "Ordinary usage of ... language suggests that the buildings must be subsidiary or ancillary to the agricultural operations."

Lord Morris of Borth-y-Gest said the buildings must be an adjunct or necessary aid for agricultural operations taking place on agricultural land.

The concept was thus that of principal and accessory. The use of the agricultural land was contemplated as being the principal use and that of the buildings as being an accessory use.

In the present case use of the buildings was for the breeding, rearing and keeping of thoroughbreds. Use of the agricultural land was for the pasturing of the same horses. It was that use and nothing else which made the land agricultural within the definition.

Use of the buildings did not serve the purpose for which the pasture land was used. It was not ancillary to it. It was an end and purpose in itself.

Therefore the buildings were

not used in connection with agricultural operations on the pasture land, and were certainly not used solely in connection with such operations.

Having reached the conclusion that the buildings did not qualify as agricultural buildings under section 26(4) of the 1967 Act, it was necessary to consider whether they did so under section 2(1)(a) of the Rating Act 1971, as buildings "used for the keeping or breeding of livestock".

"Livestock" was defined by section 1(3) as including "any mammal or bird kept for the production of food or wool or for ... use in farming ... land".

The definition was introduced by "includes". So it was argued for the ratepayers that the ordinary meaning of "livestock" was wide enough to embrace any animal which gained its sustenance from the land, in particular a thoroughbred horse.

It was true that an inclusive definition was normally intended to widen the ordinary natural meaning of the word defined, or at least to remove doubts as to the extent of that meaning.

However, in *Dilworth* [1980] AC 99, 106 Lord Watson said "include is susceptible of another construction ... it may be equivalent to 'mean and include', and in that case it may afford an exhaustive explanation of the meaning."

There could be no doubt that in some cases an inclusive definition, considered with the general context, could cut down the ordinary natural meaning of a word or expression.

The present context was agricultural and the kinds of mammals and birds mentioned in section 1(3) of the 1971 Act were those which one would expect to find on an ordinary farm. An intention to cover animals not normally regarded as ordinary farm creatures was not readily to be inferred. On the other hand, the words "any mammal or bird" might well have been intended to cover some unconventional type of mammal or bird kept for food production, for example deer.

If "livestock" were to retain its full ordinary meaning, it would seem apt to include animals kept or bred as pets, for example dogs, cats and mice, so that provided the building where that was done was surrounded by or contiguous to at least two hectares of agricultural land (see section 2(4) of the 1971 Act), that building would qualify for agricultural derating. That was unlikely to have been intended.

In *Belmont Farm (1968) 13 P + CR 414* it was held that in the Town and Country Planning Act 1947, "breeding and keeping of

livestock (including any creature kept for the production of food, wool, skins or fur, or for ... use in farming ... land), did not cover the breeding and keeping of horses for showjumping.

The reasoning was equally applicable to section 1(3) of the 1971 Act. Thoroughbred horses did not fall within the term "livestock".

Lord Brandon, Lord Griffiths and Lord Oliver agreed.

LORD GOFF, also agreeing, said that the operations performed on the land were the grazing of thoroughbred horses in the course of breeding and rearing. In describing those operations it was not sensible simply to focus on grazing to the exclusion of the overall nature of the operations.

The operation of breeding and rearing thoroughbred horses for

recreation was not agricultural.

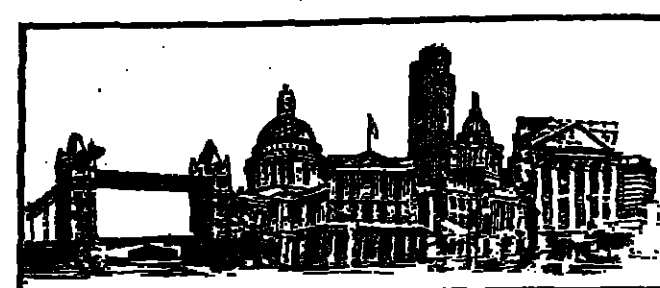
On that approach the subsidiary question whether the buildings were used solely in connection with agricultural operations on the land did not arise. But if it did, it was doubtful whether it would be answered in the negative. It might not be right to restrict "in connection with" to mean "ancillary to", for it might be appropriate to include cases where use of the buildings and of the land were complementary, neither ancillary to the other.

The appeal was dismissed.

For the ratepayers: William Glover QC and Allen Aylesbury (Russons & Lloyd).

For the valuation officer: Robert Carnwath QC and David Mole (Inland Revenue solicitor).

By Rachel Davies  
Barriester



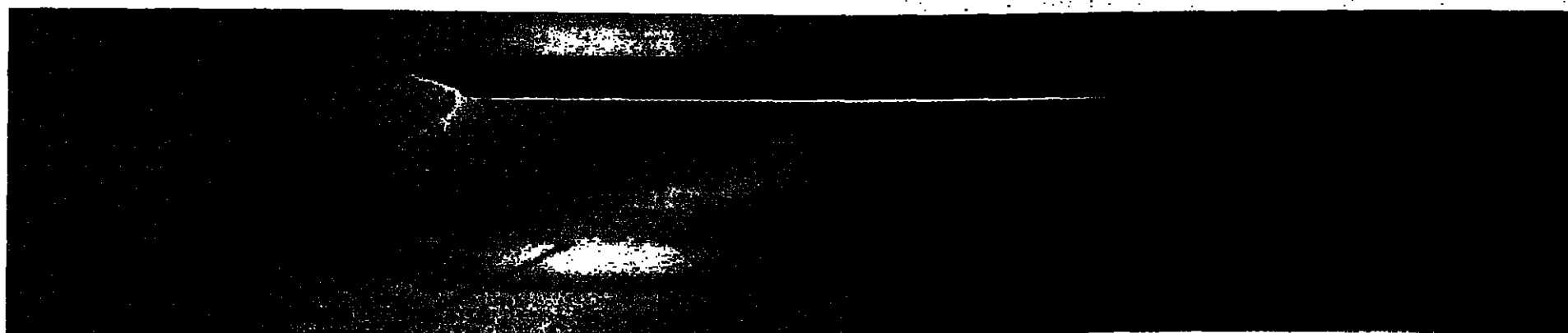
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## Business continuity

## Forced to sell on - or sell up

France has a particular problem of elderly entrepreneurs needing buyers to ensure the survival of their operations. Charles Batchelor reports

SMALL BUSINESS suggests youth and vigour but too many small firms in France are run by old men. How to organise the successful transfer of these businesses to younger managers is a source of growing concern for the French government and the country's business organisations.

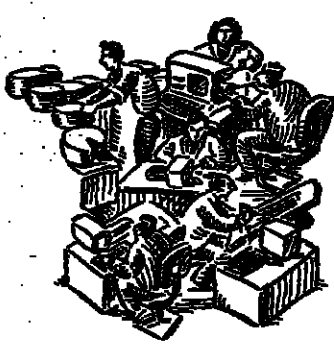
It is all very well developing policies to promote start-ups and to help young firms survive their early years. But unless companies are helped through the difficulties caused by the retirement or death of the owner-manager there may be little net gain.

"If you can arrange for the transfer of ownership of a company employing 200 people you have achieved the same result in immediate employment terms as if you had created 200 new companies," notes Armand Lepas, director of general economic affairs at the Patronat, the main employers' organisation.

In the three years to 1990 one in four of the 40,000 French companies employing between 50 and 1,000 people will change of ownership because the proprietor has reached retirement, according to a study published in June by the Patronat.

Many tens of thousands of France's 800,000 craft businesses employing up to nine people will face a similar problem.

In all, as many as 600,000 jobs could be threatened if arrangements are not made to ensure the ownership of these companies, according to one study.



The main reason why the French face such an acute problem of succession in small firms is the break caused by the Second World War and the German occupation. A wave of new firms was started in the immediate post-war years by men who are now approaching retirement.

The problem has been compounded by the lack - until recently - of an active stock market. This restricted takeover activity and meant family-owned companies tended to remain in family hands. Subsidised state loans allowed many small firms to meet all their financing needs without calling on outside shareholders.

Finally, a sharp drop in the French birth-rate in the early 1980s has deprived French business of a generation which would now be in its early 50s. "There was a demographic gap in

the 1930-35 period which has meant there is no-one to succeed the post-war business founders," says Marc de Seitzvieux, a senior adviser at the Industry Ministry. "Small business has aged."

In Britain, by contrast, the war was less dramatic in its impact and an active stock market has prompted a continual restructuring of the pattern of business ownership.

What worries the French is not only that small companies face the prospect that they will go out of business when the owner dies. As the proprietor grows older he becomes less able or willing to innovate and expand internationally, notes Lepas. Even small companies in France are acutely aware that a single European Community market free of trade barriers is scheduled for 1992.

To solve the problem the French government has begun a series of legal and tax changes to smooth the transfer of ownership.

"This must be one of our priorities over the next decade," Georges Chavannes, minister of trade and craft industries, said recently. "We run the risk of seeing hundreds of thousands of otherwise viable businesses die because there is a lack of information; the legal and fiscal framework is unsuitable; and because we fail to recognise what is at stake."

Chavannes has now put a number of proposals to Parliament to:

- Widen the definition of people who inherit a business to include outsiders, who could be the current managers of the business or newcomers the proprietor wishes to bring in, would enjoy the same legal status and tax privileges as family members.

- Reduce the tax burden on businesses which change hands by making available to a larger number of businesses the FF60,000 tax free concession on transfer tax.

France currently has among the highest inheritance duty in Europe, according to a 1986 survey. Duty would absorb 35 per cent of the worth of a French company (with a value of FF8m - 20.5m) compared with 5 per cent in West Germany, 10 per cent in Italy and 16 per cent in Britain.

The management buy-out has also been promoted not as in the UK, as a way of revitalising poorly performing companies or of spinning off unwanted subsidiaries, but as a means of bringing new management into ageing businesses.

The previous Socialist government introduced legislation allowing management buy-outs in 1984 but they were dogged initially by excessive red tape



Lionel Granger: six or seven seriously interested buyers

and restrictions which prevented outside investors initiating deals. The present government has removed the requirement that the finance authorities should screen all deals and opened them to outside investors.

But it is not just the government which is taking a close interest in the subject. Apart from the Patronat other organisations involved with the small firms sector have been active.

The Paris Chamber of Commerce has established a register of 400 small firms - one third of companies seeking to rejuvenate their management and two thirds of potential purchasers looking for a business.

"We aim to bridge the gap between the old boss and the new," says Francois Garrigue, a member of the small firms study group at the chamber. "We are

campaigning to persuade the ageing owner to prepare for the hand-over and at the same time are trying to create a transfer market."

The Confederation of Small and Medium-Sized Enterprises (CGPME), the member federations of which employ 6m-7m people, has also lobbied hard for improvements. Rene Bernasconi, the confederation president, wants the government to reduce transfer duty still further and to extend the period over which duty can be paid.

Even if all these measures are introduced, however, there remains the question of persuading the elderly business owner that he should prepare to transfer his hard-won business to someone else. "We still haven't solved that cultural problem," says the Patronat's Lepas.

the age of 59, he decided to go his own way. He has no children. His niece, Caroline, who is in her early 30s, works in the business in charge of administration, but has no ambitions to take it over. Granger is typical of many of his generation who are looking for somebody to take on the business when they step down.

G. Viallet was a very small company when Granger bought it but turnover has risen nine-fold since he arrived. Profits have averaged FF700,000 a year over the past five years. Last year was a bad year. Profits were negligible on turnover of FF17m but he expects to make FF8m or more on sales of FF24m in 1987.

He employs a team of 52 people producing plastic extrusions for the electronics, automobile and aviation industries.

"I expected the sale would take a year to 18 months," Granger says. "I've had six or seven people seriously interested and I hope to reach an agreement early next year."

To find a buyer he went to specialist merger brokers and also registered with the Paris Chamber of Commerce. He signed on with the chamber to keep them happy, he confides. "I don't expect anything from it. They don't have enough people on their register."

Granger values his company at around FF8m. He is willing to stay on temporarily and help the new owner take over though he plans to dispose of his entire personal holding.

"You can't stay on as a minority shareholder in a small company like this," he says. "Now if it were Saint-Gobain..."

## A process where traps abound for the unwary

BRITAIN DOES NOT face such an acute problem in finding new owners for businesses set up immediately after the Second World War though the approach of retirement in the most common trigger for the sale of a company in the UK too.

Selling the business you have built up over many years can be as stressful as getting a divorce, professional advisers warn. It is unlikely you will sell it to the first person who expresses an interest so at some stage you will feel rejected; you will not get what you first thought

your company was worth; and the whole affair will probably take far longer than you imagined.

"You are probably selling the thing that is closest to you after your family," notes John Fleming, a director of merger brokers Chesam Amalgamations. "And I'm being kind in some cases in saying that it is the family which comes first."

The stock market crash has taken a lot of froth out of the market for small private companies - potential buyers have less highly valued paper to pay for acquisitions while

many sellers have withdrawn in the face of the decline in offer prices. But despite the downturn owners approaching retirement or forced to step down by illness or for other personal reasons remain a constant source of new companies coming on to the market.

For most of them the experience of selling their business is a new one and there are many traps for the unwary. The first mistake that many would-be vendors make is to pitch the valuation of their business too high.

For a start a private company can expect to be sold at a discount of between 30 and 50 per cent on the price which would be fetched by a similar listed company. This reflects the fact that there is at best only a limited market

for its shares.

Secondly, prospective vendors tend to look at the audited after-tax figures quoted in reported deals and calculate the multiple at which their own company could be sold. What they should be looking at, warns Fleming, is the pre-tax figures arrived at before pension payments and other deductions have been made, which show less lofty valuations.

Preparation is essential if the vendor is to get the best price for his company. He should review his profit performance in previous years so as to be able to explain any negative factors and be able to make a credible forecast for up to three years.

His balance sheet may need tidying up to bring items such

as debtors and stocks into line with what is regarded as good practice.

If the company has a pension fund, an up-to-date valuation should be made. If the fund is in surplus this can be advanced as a positive point during negotiations.

Timing is very important. A temporary downturn in profits - even if this only appears in the latest month's management accounts - can take up an inordinate amount of time in negotiations and divert attention from the long-term performance of the company. Uncompleted long-term contracts or outstanding litigation may also introduce an element of uncertainty into the negotiations and make it easier for the purchaser to talk the price down.

Vendors should be prepared for the fact that the deal may take up to three years to complete, including up to a year of preparation and two years of negotiation, depending on the industry the company is in.

Until the stock market crash, estate agents, financial services companies and promotion and marketing companies were fast sellers. Jobbing engineers and oil industry suppliers, on the other hand, were out of fashion.

How should you go about finding a buyer? Advertising it widely is not a good idea since unless handled very well this may demotivate your workforce and it reduces the status of the company in the eyes of potential buyers.

The brokers and intermediaries, not surprisingly, recommend the use of their services. This does make sense since few companies will have access to a broad range of potential purchasers. Typical charges would be 5 per cent on the first £500,000 of a deal, with a descending scale thereafter.

The vendor is best advised to talk seriously with two and possibly three potential buyers, says Fleming. Do not negotiate with too many people, however. This will pose an impossible burden on your time and you are likely to become confused about what you have said to whom.

While your local solicitor or accountant may know of one or two local companies which might be interested you will be restricting yourself unduly

if you go to him. If after six months of negotiations talks break down you will have to start again from scratch.

Using an intermediary allows you to test out ideas without committing you to it.

While a successful deal should allow you to cash in on the work you have put in to your company do not expect to enjoy the process of selling, advisers warn. However good you are at selling your company's product or service, you will not be used to selling the business itself. You will also be negotiating while trying to run the business.

The experience is clearly too much for many people. A sizeable minority of people who put their business up for sale back out during the course of negotiations.

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## Cork Gully

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For further details please contact the Administrative Receiver:

J.M. Inadale, FCA  
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Phoenix House  
Station Hill  
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For further details, contact the Administrative Receiver, Hugh Sinclair or Peter Blair at Deloitte Haskins & Sells, 8 Sells, Compass House, The Hopewalk, Nottingham, NG1 5DQ. Tel: 0602 419066. Fax: 0602 470662.

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## ARTS

## Don Giovanni/La Scala, Milan

Andrew Clark

The irony of the annual opening production of the season at La Scala is that, like most events that are over-anticipated and over-hyped, people refuse to believe the results can be ordinary. Names like Giorgio Strehler and Riccardo Muti, who head the first of a series of joint projects in Milan - they had a fairly good cast and the familiar designer team of Ezio Frigerio and Franca Squarciapino. But the production was like wallpaper: exquisite patterns and beautiful shades, which on closer inspection turned out to be flat, undynamic and unresponsive to the entirely relevant activity - curiously static and impersonal. It had many of the trappings of a traditional big house production, richly garbed in the half world of three different instrumental groups to entertain the guests at

the end of Act 1, yet with nothing fresh or penetrating to say about the characters and relationships. The first Act meandered through a succession of spectacular side-on perspectives of grand Palladian architecture - all neo-classical arches and colonnades, draped in foliage, set against pastoral vistas of background haze and framed by a set of towering black stage columns. Like the Strehler-Polsky, it seemed to have come straight out of Lombardy. The idea of projecting the principal characters as silhouettes, inhabiting the half world between front of stage and the brightly-lit background, is a tantalising theatrical trick, but it didn't work here: everything just looked dark and sketchy. Most curious of all was the over-decoration of the first Act arias - Zerlina bending down and lifting her skirt for Masetto in "Batti, batti," or Giovanni and Leporello rasping the college students in the Champagne aria and flourishing their capes at every opportunity.

Of humour or sensuality there was none. Much of the second Act took place in front of a red drop curtain: Strehler simply seems to have run out of things to say, and his views on the function of Anna, Elvira and Ottavio remain a mystery. That any of the singers were able to salvage some dramatic credibility was surprising. By all accounts Thomas Allen had a big success in the title role on the first night, but due to indisposition his place was taken at the third performance by Jose van Dam, who was to have altered the voice of Giovanni and Leporello later in the run. He commands the stage with aristocratic ease and elegance, and the polished timbre is always a pleasure to hear, but he still seemed to be working his way into the production. Claudio Desderi's more gritty timbre and his splendid use of Italian words made for a lively partnership, though this Leporello was too well dressed and familiar with his superiors to be a servant.

Ann Murray's Elvira dug as much characterisation as she could from the music, at the expense of some strident tone. Edita Gruberova's Anna offered little more than cold technique. The Zerlina was Susanne Mentzer, whose tender, pure voice lacked dramatic focus. It was good to hear Francisco Araiza back in Mozart after his unfortunate forays into heavier repertoire, and to have an exquisitely shaded "Dalla sua pace." For that we also had Muti to thank. I would willingly have sat through much worse productions to have heard what he achieved with his singers in the shaping of vocal phrases and balancing of ensembles. It was the kind of performance which proves how mistaken it is to think you already know the music's limits. Clarity, musicality and dramatic feeling were the touchstones here. True, there were instances of hectic overdrive - "Fuggi, fuggi" and the Act 1 finale - but the main victims - but they pointed up all the more the immaculately sculpted delicacy of the music coursing through the string and wind parts in the gentler accompaniments. The sound from the pit indicated few concessions to current taste, with a forte piano in the secco accompaniment and a massive symphonic approach to each doom-laden chord. But Muti's insights and ability to trace the pulse of the music make arguments about performing style irrelevant. He, at least, lived up to his reputation. Now he needs to find the production to match his style.

Pottery by Jacqueline Oglesby in the Crafts Council Gallery craftshop

## London Galleries/William Packer

## Pick up a pot or a picture

With some eight shopping days yet to go till Christmas, it is still mid-season in the galleries for the miscellany show where guest artists are brought in to help fill the walls and bring the punters flooding in. What makes it more fun for your critic is that sometimes he is asked to join that temporary elect which is also unfortunate, for honour then binds him to own up and turn the critical eye away. I do so at once and begin, therefore, with the three exhibitions I cannot mention.

The first of them, *Landscapes & Interiors* at the Fine Art Society, 148 New Bond Street W1 (until January 17), is a show of drawings by seven artists and myself, that I selected for the British section of the International Association of Art Critics. As I can hardly go into any detail here, I would only thank the Society for so generously giving us the use of one of its galleries.

Number two is but the latest in the now lengthy series of "Small is Beautiful" exhibitions that Angela Flowers puts on each December (at 11 Tottenham Mews W1, until December 24). The subject this year is *Landscapes*, officially to be no more than nine inches by seven. The artists include the fine painter, David Hockney, and the sculptor, Ewen Henderson, Angus Sturges and Henry Flin, to the more orthodox but no less refined studio pottery production of such as Andrew and Joanna Young. There is furniture from Fred Baler, a black oak bowl from Jim Partridge, a hamper from Lois Walpole, and much more besides: textiles, glass, jewellery, metal, books.

Craftsmen have a living to earn, like the rest of us, and so the other, smaller room has been given over to the Crafts Council shop in a temporary installation from the V & A (until December 24). The opportunity has been taken to present a full selection of the regular merchandise, but with particular reference to the

work on show across the corridor. Prices are as likely to be in the low tens as in the hundreds, for British fine crafts still represent a considerable bargain. Purchases may be taken away directly, as with any shop. Hurry while stocks last.

The same rule obtains at Contemporary Applied Arts (at 43 Earlham Street, Covent Garden WC2, until December 24), which is now carrying what it calls its "festive medley of ceramics, glass, wood, textiles, lighting and jewellery." Inevitably it covers much of the same ground as the Crafts Council, but the basement gallery which holds the normal stock of its members' work is as busy as usual.

More contemporary craft, though of rather a different kind, occupies the Anne Berthoud Gallery (at 10 Clifford Street W1, until December 23 - then January 4 to 16). These pots and textiles, that might as well have been made a lifetime ago as yesterday, are the work of the tribes of the Peruvian Amazon, who continue in the full vigour of their native tradition. The decoration is infinitely subtle and fraught with cosmic, geometrical symbolism, the forms of a disarming roughness yet exquisitely refined. The prices start around £70 for the pots, rising to £300-£400 for the textiles - that is if by now there is anything left to buy.

*Eight by Eight*, at the Curwen Gallery (at 4 Windmill Street, Charlotte Street W1, until December 24), is a Christmas show of small paintings, drawings and reliefs, put on in support of the Contemporary Art

Society and the Mental Aftercare Association. Rather more than 100 artists have put in a work apiece at prices that start at £50 and rise well above £1000, though with the great majority still under £200. Again the known and unknown are mixed, with the unknown, or comparatively cheap, all the more likely to take the eye. Paul Riley's quiet still life drawing, Gordon Senior's simple "Lime Kiln," and John Tedley's crisp "French Castle," are but admirable examples.

The Mercury Gallery's Christmas miscellany (at 26 Court Street W1, until December 24) of the work of what might be called its gallery artists, brings together the contemporary with the modern British. Prices begin around £250 with some of the contemporary work, rising comfortably into five figures, especially with the more established and historical artists such as Sutherland, Redpath, Eardley, Barra and Keith Vaughan, whose star is now emphatically ascendant. There are good things too, from such as Rauschenberg, Houston, Craxton, Bowden and Elizabeth Blackadder.

Finally, the Christopher Hull Gallery (at 17 Grosvenor Street SW1, until January 9) shares much the same field and at much the same range of prices, with Sutherland, Craxton, Ayrton, Minton, Vaughan and early Alan Reynolds among the Modern British, and Charles Arden, Renos Louzon, Linda Sutton, John Selway and Giles Auty among the younger contemporaries.

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## Wizard and Scarecrow/Birmingham, Derby

Martin Hoyle

Frank L. Baum turned to fantasy fiction after failing in commerce and journalism, and many of his successors who have combined the three simultaneously. Having hit a winning streak with *The Wonderful Wizard of Oz*, he produced another 12 books about the Emerald City. The wonder is that we have not been inundated with sequels and spin-offs, given the material available. However, apart from the original, this year revived notably by the Birmingham Rep and the RSC among others, Derby Playhouse is giving *The Scarecrow and the Wizard of Oz*, dealing with the straw man whom we saw installed as a wise ruler of Oz at the end of Dorothy's first adventure.

Birmingham and Derby aim at different age-groups. The Second City's newly revitalised Rep gives us a stage version of the film, complete with well-loved songs; Derby presents a story tailored for touring on modest resources written by Alfred Bradley, a distinguished BBC radio producer and originator of that showcase for new writing talent, *Northern Drift*. Annie Castledine's gentle and comic production, at Derby, sponsored by Central TV, is for the families who shrink encouragement and warning to the stage; for the Brummies, sponsored this season by Ansell, Derek Nicholls hits a more sophisticated note aided by the visual opulence of Terry Parsons' designs.

The hint of Art Deco in the hemispherical proscenium arch frames an opening scene where the dust-bowl farmstead is portable, as it is in the naturalism of a story-book illustration. This gives way to the Munchkin townscape of lollipops and ice-cream cone houses, smarties and allsorts lying about the streets, the scarecrow is discovered against a lovely Deco background of arcs and points, stylised hills and trees, and the sumptuousness of Oz, a 1930 hotel lobby of marble and majolica, pillars and chandeliers, in green, gilt, turquoise and ultramarine, where the girl dancers advance in plumed fan-shaped headdresses like Siegfried beauties, is positively edenic.

The Rep has picked the RSC to the post-war's restored emphasis on the liturgical, here being in pink zoot suits with blacked-out faces (stocking masks), pink-framed specs and white gloves and shoes. They add little to the sum total, more to the liturgical, here being in pink zoot suits with blacked-out faces (stocking masks), pink-framed specs and white gloves and shoes. They add little to the sum total, more to the liturgical, here being in pink zoot suits with blacked-out faces (stocking masks), pink-framed specs and white gloves and shoes.



Tom Faby, Sue Devaney, Philip Herbert and Nigel Leach in Birmingham

bly avoids a Garland imitation as Dorothy; a warm voice with a hint of throaty playfulness. Boasting that the rainbows are "bent by Barnabaws Metal Section Banders," Derby has a rainbow painted catwalk, a curved backdrop, a sporadically visiting tower like Dr. Who's Tardis and evocative lighting by Nick Scudella. A certain slowness and preoccupation at the first performance was explained by the dress-rehearsal injury suffered by Mike Kenny's gangling, lovable, gormlessly northern Scarecrow, a crackle collaboration took the spring out of the tumbling comedy though Mr Kenny played on gamely with a patently use-

less left arm. No songs here, though "Over the rainbow" recurs from Adrian Johnson's mainly American Music Man seated throughout at his keyboard and percussion against left. A wicked witch (again) steals the painfully-acquired brain, heart and courage from Dorothy's old comrades despite shrill warnings from the audience ("Wake up"). Dorothy herself is Naomi Wirthner, sweet, sturdy and practical; and again wickedness provides a juicy role for an actress in Stephanie Fayerman's witch.

Iestyn Jones strikes a fine balance between solemn realism

and comic-strip adventurousness as the witch's unloved son with a soft heart. While Birmingham's *Wizard* is American, Derby's down-to-earth *Scarecrow* is British, with a Welsh-accented Uncle Henry and an Aunt Em (Miss Fayerman again) who sports a classless south-London accent as if she had wandered in from Radio 4's *Catholics*. Birmingham's Toto is a Griffin Bruxellio, the grizzled ten-year-old son of a Crafts champion, whose mother has acted with Lesley Ann Down and Mia Farrow and whose sister has worked with Burt Reynolds. He has the family whiskers. Derby's Toto is an invisible mouse. The edge to Birmingham, I think.

## Simply Red/Academy, Brixton

Antony Thorncroft

It's the time of year when the big names of pop return to the land of the living to clean up on the pre-Christmas cash spree. Mick Hucknall is a big name. And so he should be: he has enough bumptiousness to pass as a character and he sings like an angel, soulfully.

There is a real danger that the Academy on Saturday compared with his last tour in the spring, as if the fickleness of the business had got through to him. The show was an attractive accessory.

Simply Red, the band he leads definitely from the front, is a bit too slick, almost oily. There are shades of Spandau Ballet which must be raised, quickly. The boys wear smart suits and ties; the girl singer is a recidivist ululator; the light show dazzled like a technicolour dreamcoat (pity about the sound system).

On top of this smooth production was layered a cocky Hucknall, his hair still dressed to the left with flowing curls, his treatment of the audience world-weary. The mix could hardly be faulted - if I soul had been invented by Scudella, it would have sounded: crafted, sophisticated and cynical. It is a mistake in "Suffer for Hucknall to sound so black and anguished (it hardly rages true), but close your eyes and what Eric Clapton did for the Chicago Blues, Hucknall is doing for Philadelphia Soul.

The packed crowd at the ornate Academy - a worthy successor with its pastiche Edwardian and to the outstaring Baller at Finsbury Park - only really got excited when Hucknall slipped off his jacket to attack "Love Fire." Earlier his addiction to Cole Porter, expressed in an effete version of "Love for Sale" and dedicated to all the hookers in town, was not shared by his fans near the bar at the back, nor I expect by Ella Fitzgerald, but it showed taste.

The finale was tremendous, with the band blowing its soul out on the plaintive "Holding Back the Years," the perfect lead in to "Money's too Tight," two of the best pop songs in recent years. For Simply Red it was just another gig, but for the audience, by the happy ending, it was an uplifting start to party time.

## Cinderella/Crucible, Sheffield

B.A. Young

To be honest, it hardly matters which classic pantomime tale they use at the Crucible, for the stars are the kids in the audience. They are adept at picking up every hint from the stage, and they shout louder and more readily than any kids I have encountered. This year, we have a *Cinderella* with a credit in the programme for the script; and except for the heroine herself (Stephanie Johns), Prince Charming (Leslie Ash) and Dandelion (Dennis Norman), all as his back. (You will see that the accepted story is more or less pursued.) All four are involved in a bathroom-scene for the sisters, where a face-pack, eye-shampoo, face-cream and vanishing-cream do their worst. Baron Hardup wears a blue wig; there is a small chorus of boys and girls and one of "babes" about 12 or 13. Some of the dancing could do with more rehearsal.

A revolving unit upstage offers plentiful variety of scene, including a staircase at the ball generous enough for Mariette Dietrich. The three-piece band (guitar, synth and drums) plays from an opening in the stage. Indeed I am prepared to say, in no adverse spirit, that there is

## Julian Lloyd Webber

Paul Driver

Julian Lloyd Webber's afternoon recital at the Wigmore Hall on Sunday, with pianist Peter Pettinger, brought the fine performance of Malcolm Arnold's *Pastorale* for solo cello, along with sonatas by Beethoven and Debussy and some other English items. Frank Bridge's *Scherzetto* for cello and piano was played, and his haunting little *Elegie*. Alan Rawsthorne's Sonata of 1949 made a powerful impression with its cogent argument and clipped manner of musical speech: Rawsthorne has a marvellous way of taking stock, of finding the line, of stripping away all that is fleshy and false about it, and presenting us with a discourse which is very subtly arresting. Peter Pettinger had rather more to do in this sonata of equals than just give the cellist support, and his solo passages were shapely and striking. Lloyd Webber's performance was articulate, impassioned, large-toned, persuasive.

The Arnold new work, his Opus 130 no less (though he has not lately been producing as copiously as of old), is extremely

attractive, quite short, and wholly unpretentious: a continuous unfolding of seven little sections, each a gem, and concisely written. The opening Andantino (repeated at the end as the seventh section) is broad and declaratory. The following Vivace sports a funny bouncy rhythm reminiscent of that pound of tuppenny rice which is immediately cut off each time it appears by a mournful lyrical phrase - the effect is peculiar, poignant and, although small-scale, distinctly Arnoldian. The Lento is melodious and, again, mournful (here I thought of the tune of one of the sadder Brahms Hungarian Dances). Next comes a march, then an affecting pizzicato serenade, then another Lento, one of strange melancholy, and finally the opening again, which returns satisfyingly and with, of course, changed significance. The *Pastorale* is a memorable and rather tearful little opus, a perfect gift to cellists of even average ability: Lloyd Webber's virtuosity was scarcely taxed by it, but he did it proud.

## Beauty and the Beast

Antony Thorncroft

A pantomime with no big names; no references to television programmes; no contemporary grime; but a tremendous relief. David Corgan has adapted the famous fairy story, and Brian Protheroe has provided some pretty, unobtrusive, songs. It is the kind of Christmas entertainment that middle class parents dream about.

All the more surprising to find it at Stratford East, with its reputation for noisy audience participation and political theatre. In fact the Edwardian look of the Theatre Royal makes it an ideal backdrop, and there is a warm welcome for a good old-fashioned escapade plot where everyone is how they seem and there are no challenging subtexts.

The audience is not afraid to express its bias, and Angela Bruce as Dolores, the Wicked Fairy, seems to be more popular than Lavinia Bertram as Candy, a Good Fairy, perhaps because the splendid Miss Bertram models her part on a well intentioned but bemused social worker, complete with young idealistic assis-

tant (Debbie Ross).

It is the enthusiasm of the cast that makes this such a happy evening. There is not much slapstick, nor labouring away at tired old panto routines; kids only get one chance to go on the stage when they are quickly transformed into beasts; and the terror element is low. This is a sunny production, a lovely Madeline Adams as such a smirking Beauty that you will be the Best to eat her, to Christopher Owen who just keeps the cross-dressing tradition alive as quite the most bunch dance I have ever seen. The children get restive, but director Philip Hedley races through the show and sends everyone out revitalised.

## Circus in Battersea Big Top

The Cottle & Anzen Christmas circus will be at the Battersea Big Top Hippodrome in Battersea. Park from December 26 until January 17.

## Arts Guide

## Opera and Ballet

## LONDON

Royal Opera, Covent Garden. As its festive season offering, the Royal Opera brings back *L'Elle d'Amore* with Yvonne Kenny, Deneq Gulyas, Enzo Carr, and Olmo Quirica. Last of the current *Tosca* revival, well cast (Marion, Wixell) but lamey conducted by Giuseppe Sinopoli. (240 1066).

English National Opera, Coliseum. The new, eagerly-awaited production by David Pountney of Hansel

and Gretel has Mark Elder as conductor, John Robinson and Catherine Pope in the title roles, and Felicity Palmer (doubling mother and witch). Further performances - the *Mafia-style* *Rigoletto*, in its last-ever run, and the Limp, untidy new Barber of Seville, with Della Jones's Rosina the most important saving grace. (836 3161).

## PARIS

Kirov. The temple of classical ballet has brought, with Swetlana and Gisele, a revelation: the couple Farouk Ruzimatov and Altnai

Assymurova. Palais des Congrès (426 6076) until Jan 10. Jiri Kylián and the Netherlands Dance Theater perform to music by Stravinsky, Mozart and Debussy until Dec 13, to music by Toru Takemitsu, Janáček, Minku, Mozart and John Haseel until Dec 29. The *cinéma de Ville* (427 4227). Norma Alvernani with Macbeth at the Paris Opera.

Don Giovanni conducted by Lohar Zagorac with Francis le Roux in the title role and Helene Garret as Donna Elvira in *Ole Opera's* dynamic production by Gerni Jarvel at the Opera Comique. (426 6061).

WEST GERMANY Berlin, Deutsche Oper. Hansel und Gretel, with John Armstrong and Gerd Feldhoff. The Nutcracker for the Berlin Opera, will be conducted by Christian Fricke. Fidelio, in Jean Fiebig (26 621). The Nutcracker choreographed by Rudolf Nureyev. (34 381).

Hamburg, Staatsoper. Le Nozze di Figaro is a joint project between Hamburg and Salzburg Mozareum. The cast includes Linda Pech and Peter Galliard. The Nutcracker and Eutawville, both new, are choreographed by John Neumeier. Don Pasquale has new interpretations by Hellen Kwon and Urtan Malmberg. (35 1151).

Cologne, Opera. Hansel und Gretel has Andrea Andonian and Teresa Ringholz in the main parts. Hellen Kwon repeats her much praised Queen of the Night in *The Magic Flute*. (20 761).

Frankfurt, Opera. John Cage's new cast led by Clarry Bartha and Rodney Riley (26 621). Munich, Bayerische Staatsoper. La Forza del Destino stars Julia Varady, Judith Forst, Kurt Moll and Wolfgang Brendel. Hans Werner Henze's *Undine*, choreographed by Tom Schilling, Madame Butterfly is also being staged.

## ITALY

Turin, Teatro Regio. Don Giovanni conducted by Miklos Erdelyi and directed by Luigi Squarzina, with Renato Bruson singing the title role, alternating with Martin Egli. Also in the cast are Eugenia Nodovansu and Raquel Pierotti. (58 80 00).

Florence, Teatro Comunale. Franco Zeffirelli's production of *La Bohème*, conducted by Carlos Kleiber, with Mirella Freni and Cecilia Bartoli alternating as Mimì, will be conducted by Christian Fricke. Christ Merritt and Jonathan Sumner. (277 9266).

Torino, Teatro Regio. Giuseppe Verdi. La Fuga del Reggimento conducted by Carlo Rizzi and directed by Filippo Crivelli, with scenery and costumes by Luciano Serra and Domenico Trimarchi. (68 19 49).

Milan, Teatro alla Scala. Don Giovanni, in what promises to be an outstanding production, directed by Giorgio Strehler and conducted by Riccardo Muti, with Thomas Allen in the title role. The figures and landscapes in Ezio Frigerio's sets have been borrowed from the Venetian painter Bellotto. Costumes by Franca Squarciapino. Also, The Nutcracker in Rudolf Nureyev's version, with scenery and costumes by Nicholas Georgiadis, danced by Tania Sargari and Charles Jude. (80 91 26).

Rome, Teatro dell'Opera. Alcina. Alonso's Ballet Nacional de Cuba conducted by Alberto Ventura. (46 17 55).

## NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera with Cendrillon by Jules Massenet, directed by Gilbert Defo. The Netherlands Philharmonic conducted by Henry Lewis, with Stephanie Friede, Robynne Redman, Rita Carr and Wendy Hill. (Tue). The National Ballet with *Ashton's Cinderella*. (Thur). (26 54 55).

Amstelveen, Cultureel Centrum. The Hoofddijk Opera company in Strauss's *Wiener Blut* directed by

## December 11-17

Dick Trop and conducted by Martin Maizer (Tue to Thur). (45 84 44).

Arnhem and Eindhoven. The Scintilli Ballet Company dance Tchaikovsky's Nutcracker, with the Brabant Orchestra conducted by Jan Ruit. (Arnhem, Wed. 11 Thur, 12 Schouwburg). (27 41) Thur. Eindhoven, Schouwburg. (11 11 23).

## NEW YORK

Metropolitan Opera (Opera House). Manuel Rosenthal conducts Die Fledermaus in Otto Schenck's production with Barbara Daniels, Judith Bruckman, Tiana Troyanos and David Rendall; Marek Janowski conducts John Dexter's production of Die Entführung aus dem Serail with Zdzislaw Dzierz, Eric Milla, Gosta Winberg and Matti Salminen. Fabrizio Melano's new production of *Le Trouvère* is conducted by Richard Bonynge, with Joan Sutherland and Luciano Pavarotti; Franco Zeffirelli's production of *Tosca* is conducted by Christian Fricke with Eva Marton, Sherill Milnes and Italo Tajo. Lincoln Center. (362 6000).

## WASHINGTON

Jeffrey Ballet (Opera House). This Robert Joffrey production is done in collaboration with Gerald Arpino, Richard England and George Verdak with scenic design by Oliver Smith and costumes by John David Ridge. Ends Dec 27. Kennedy Center. (254 3770).

## TOKYO

Isa. Return visit to Tokyo by four members of New York's Moxim Dance Group, Giza Saison Theatre. (Thur). (655 6555).

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## FINANCIAL TIMES

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## Israeli rule in Gaza

AN UGLY shadow has fallen over the preparations for Israel's 40th birthday in May next year. For six days now the occupied Gaza Strip has been in ferment. At least eight Palestinian demonstrators have been shot dead and many more wounded - in repeated clashes with the security forces.

United Nations officials on the spot are already calling it a revolt. It is certainly one of the worst civil unrest in the 20 years since Israeli forces seized Gaza and the West Bank in the six-day war. The disturbances - like the Palestinian hunger strike in the army base in northern Israel three weeks ago - are also a potent reminder of the unresolved issue which remains absolutely central to Israel's future: what to do with the territories and their increasingly disenfranchised Arab population.

It is not hard to see why Gaza has erupted in the last week. The Strip is one of the most densely populated areas in the world, with 550,000 Palestinians, more than half of them refugees in squalid camps, crammed into a piece of territory barely 29 miles long by six miles wide. They have long felt neglected. Egypt did not notably little for the Strip when it was in charge before 1967 and Israel rule has left its people with a debilitating sense of political and economic dependency. More than 10 per cent of Gaza's population is under the age of 20, which means that they have spent all their lives under Israeli occupation. Recently, their frustration has spawned a new brand of religiously-inspired activism which the authorities are finding more difficult to deal with than the traditional enemy, the Palestine Liberation Organisation.

## Fairer treatment

All these conditions are particularly acute in Gaza, but they are not unique to it. In the larger West Bank, too, the atmosphere has deteriorated over the last two years. Palestinian unrest has met with a harsh response from the security forces; rising Palestinian aspirations have run into a flat Israeli refusal to allow Arabs under occupation any form of genuine economic or political independence. In both territories, the situation is no doubt containable from a strictly military point of view. But it is also creating long-term political problems which Israeli leaders

would be foolish to underestimate.

Public opinion inside and outside Israel is becoming more aware of the nature of Israeli rule over the occupied territories. One consequence of this has been the political pressure on Israel's coalition Government to agree to attend an international conference to discuss alternative arrangements. The consensus on the need for such a gathering is overwhelming, among Western, Eastern and Arab governments as well as on the Labour side of the Israeli coalition and among diaspora Jewry: only Mr Yitzhak Shamir, the Israeli Prime Minister, and his allies have consistently rejected it out of hand. Another consequence, on a smaller scale, has been the readiness of foreign governments to insist that the Palestinians get a better deal: witness the European Community's pressure on Israel over fairer treatment of farm workers from the West Bank and Gaza.

## Election year

In the longer term there is the irresistible force of demographics. At present, Jews outnumber Arabs within Israel and the occupied territories (taken together) by a substantial margin. But the birth rate among Palestinians is much higher than that among Jews and, according to some estimates, the former could outnumber the latter as soon as the year 2010. At that point, if no territorial settlement is reached, Israel will be faced with an agonising choice. It will either have to maintain the Palestinians as a subject people and thereby sacrifice its democratic credentials, or absorb them as full citizens and thus lose its character as a Jewish state.

As a number of delegates to the 31st World Zionist Congress in Jerusalem pointed out last week, neither "solution" seems especially palatable or likely to be accepted by the other side. Such politicians as Mr Shimon Peres, the Foreign Minister, believe that the status quo is unsustainable in the long run and that the Government will eventually be forced to negotiate a permanent form of territorial settlement. It is to be hoped that in 1988, which is an election year as well as the state's 40th anniversary, debate within Israel will be focused on this issue with greater clarity than in the past.

## Time to discard the golden share

LIKE GRIT in a bearing, the UK Government's "golden share" in British oil has caused the machinery of the capital markets to judder and squeak during the takeover battle between British Petroleum and Atlantic Richfield of the US.

Neither company has dared to make the straightforward bid for full control, which would have seemed an obvious course in the absence of an effective government veto. Yet the golden share has not prevented two of the oil industry's titans from joining battle over the largest of the UK independent oil companies - each trying to build up a 30 per cent stake.

The Government has allowed doubts to accumulate about its views on the purpose of the golden share and the circumstances in which it would be used to prevent a takeover. The reason, probably, is that ministers are now uncertain themselves about its purpose.

Back in 1982, when the old British National Oil Corporation was floated into the private sector, the purpose of retaining this peculiar 1st preference share in official hands was clearer. It would give the Government 51 per cent of all shareholders' votes for a temporary period in the event of a takeover by another company. Although it would not technically prevent a predator from acquiring 100 per cent of the share capital, it could prevent the new owner from exercising control.

## Strategic direction

At the time of the flotation, the creation of the golden share was partly a political expedient to silence those who opposed the sale of an important state asset, and partly a notice for foreigners to keep out. It was also intended to give the management of the new private sector company a chance to find its feet. The British oil golden share was thus part of a more general policy of fostering the growth of a group of smaller independent British oil companies in the North Sea.

No date was set for its expiry, although it can be revoked at any time. However, when Enterprise Oil was spun off from British Gas two years later, the Government decided that its golden share should expire at the end of 1988.

This reflected the Government's growing conviction that the ownership and strategic direction of most companies was best decided by the market rather than by political fiat. On the other hand it has continued to favour an independent oil sector, and is not immune from political pressure to keep North Sea oil British.

## Market logic

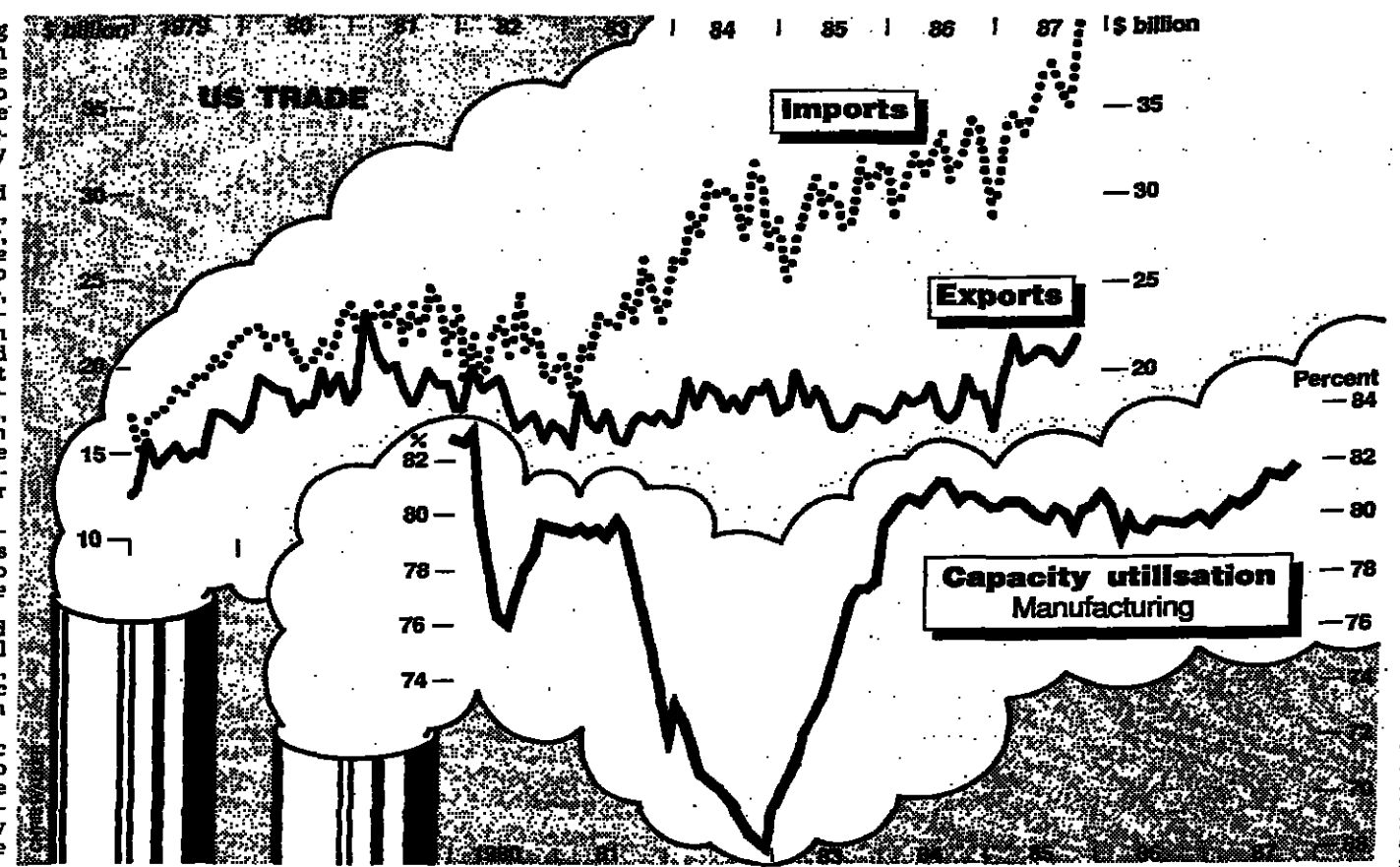
The tide of the market is now running strongly against the smaller companies both in the UK and in the US. With oil prices and the stock markets subject to much greater uncertainty than two years ago, private investors have not on the whole been prepared to take as long term a view of the sector as the companies would like. Hence the UK majors such as BP, which must take a long term view, now find the golden share a burden.

The logic of the market says that these larger companies now have the resources to develop the assets of their smaller sisters more efficiently than would happen if they were left alone. If the market has taken the same view in its bid for Tricentury, another of the UK independents. The Government appears to have decided not to interfere with this bid, even though its control over North Sea licences gives it effective power of veto.

Ministers would therefore appear inconsistent, to say the least, if they used the golden share in Britain to prevent a takeover by Britain's largest company while permitting a French invasion of Tricentury. Moreover, the golden share seems likely to give British oil a twilight independence, with both Arco and BP poised to pounce later. Meanwhile British oil and its remaining shareholders would fall to benefit from the cash and management of a bigger partner. To prevent this limbo the Government must quickly make up its mind whether it wants to use its golden share for policy reasons, and say unambiguously what they are. Otherwise it should clear the decks for a clean and open fight by announcing an expiry date for the share in the reasonably near future.

US industrial performance: Anatole Kaletsky, James Buchan and Deborah Hargreaves report

## Bursting at the seams



"SURE, WE could be exporting more steel products. But with domestic demand so strong, we don't have the capacity to export. And if you're asking me whether I'm going to add capacity, the answer is, categorically no."

This comment by Mr David Roderick, chairman of USX, America's biggest steelmaker, goes some way to explain the persistent inability of the US to improve its trade performance, which was shown so spectacularly by the record \$17.6bn (\$35.6bn) trade deficit incurred last Thursday. It also sheds light on the recent change in intellectual fashions on Wall Street, where anxiety about inflation has gradually overwhelmed the fear of recession which once occupied investors immediately after Black Monday.

But how near is the US economy to its capacity limits? And is the economic headroom likely to expand or diminish in the months ahead?

The answers obviously depend on two factors: the overall growth of the US economy and, equally important, the economic sectors from which that growth derives.

While all the main economic indicators published in the two months since October 19 have turned out stronger than expected, it is still far too early to say that the economy escaped the crash unscathed. In the meantime there is considerable evidence about where the sources of economic strength may lie.

It is not true, as politicians outside America often suggest, that the US is still indulging in a huge binge of borrowing and consumer spending. In the 12 months before the crash, the main source of growth in the economy had already shifted from consumption to exports and investment. In the third quarter of this year, consumption was only \$40bn or 1.6 per cent higher in real terms than a year earlier. Residential construction has fallen sharply.

Meanwhile export volumes increased by \$54bn or 14 per cent and imports grew by only \$27bn or 5 per cent. The net effect of trade on US economic activity has been strongly positive despite the continuing growth of US monthly trade deficits. These have resulted from sharply higher import prices, rather than rapid growth in volumes.

The other major factor helping to offset the softness of consumer spending and housing has been business investment. Spending on plant and equipment rose by \$22bn or 6.9 per cent in real terms compared with the year before. Before last week's appalling trade figures, these trends were prompting a good deal of self-congratulation in Washington about the revival of "smokestack America" and its new found competitiveness in world markets.

On Wall Street, investors were only too willing to believe that the previously despised basic industries would solve the US trade problem with the help of the strong dollar. Providentially, this export and investment activity would also keep the domestic economy expanding after the fall of the high-flying financial, business and consumer services in the stock market crash.

In reality, however, the view from smokestack America is less reassuring. The last quarter's jump in investment was a sudden, and possibly quite freakish, occurrence. Partly, it was the mirror image of big cutbacks earlier in the year connected with the introduction of new tax laws. For 1987 as a whole, plant and equipment spending is expected to be only 1.7 per cent higher than in 1986, according to the latest survey of investment intentions conducted by the Commerce Department. Looking beyond the figures to the behaviour of individual companies, there seems little evidence of a major investment revival, even in those sectors where the benefits of the dollar have been most immediately felt.

At the same time, as last week's trade figures made plain, it is not true that the US is still indulging in a huge binge of borrowing and consumer spending.

American businesses still have a long way to go before they start recapturing their home markets. While their exports have been rising strongly for well over a year, many American industries have managed only to slow the rate at which they have continued to lose domestic market share.

Recently, some US economists have put forward an alarming comparison to explain the disappointments in trade and industrial investment: that the sort of problems faced by Mr Roderick at USX are very widespread. Maybe American industry does not have the physical capacity to recapture markets - and maybe US companies now lack the confidence to invest in that capacity.

It is, preferring instead to raise their prices, so boosting their profit margins and shareholder returns.

Mr David Hale, chief economist of Kemper Financial Services in Chicago, has put this point most colourfully. He argues that many of America's leading industrial companies got so carried away by the fashion for corporate restructuring and cutbacks during the period of dollar overvaluation in the early 1980s, that they are now suffering from "corporate anorexia". These companies are now so "lean and mean" that they are turning away opportunities for expansion even when these are presented to them on a platter as a result of the falling dollar.

While average capacity utilisation in US industry as a whole is still only 82 per cent - some what below the cyclical peak of 1984 - the figures for certain industries particularly exposed to foreign trade are much higher. In the paper industry, official capacity figures show 96 per cent utilisation, and textiles are operating at 95 per cent of maximum output. Both figures exceed the highest levels ever recorded in previous booms. Glass, aluminium and many parts of the chemical, synthetic fibres and plastics industries also see little scope for further expansion.

As noted by Mr Roderick, even the languishing steel industry is now constrained by capacity limits, with plant utilisation up to 84 per cent on average and over 90 per cent for most flat products. At the level of individual companies, some of the shortages are even more striking. Alcoa is operating at 109 per cent of its rated capacity, after restarting facilities it closed as uneconomical in 1985. USX has recalled thousands of the steelworkers it laid off only a year ago at a cost of \$75,000 to \$90,000 each.

An even more extreme case is Cummins Engine, a leading US manufacturer of heavy duty die-

sels, which won widespread applause a few years ago for its aggressive cost cutting and capacity reductions. Cummins lost money in the last quarter because demand went up. Its report to shareholders blamed poor results on "operating inefficiencies" needed to support increased sales volumes. "These included, according to analysts, who follow the company, overtime costs which have raised some wage levels to \$60,000 a year, components shortages due to previous inventory cutbacks and production difficulties resulting from the consolidation of output from three closed facilities in one site."

Yet Mr John Hackett, the company's chief financial officer, says he has no plans to increase investment. "We still have more total capacity than we need in the long run," he says.

That is an attitude shared by many capacity-constrained companies. The steel industry, after a decade of unremitting gloom, perceives this as a short-term bubble, as Mr Milton Deane of the Iron and Steel Institute puts it.

Even the chemical industry, which has reaped great profits from US production as a result of the low dollar is planning less investment this year than in 1986, according to the Commerce Department survey. "We're not investing as we did in the 1970s, it's mostly maintenance spending designed for cost reduction, de-bottlenecking and modular expansion. We are not inclined to go into greenfield projects, we just don't see the need," says Mr Nick Filippello, economist at Monsanto.

A theme which many executives underline is their reluctance to make long-term decisions on the basis of temporary falls in the dollar. "We're doing our planning on the assumption of a Y140 dollar," says Mr Dan Meyer, president of Cincinnati Milacron. "If it falls lower than

that, we will need plenty of time and a wide margin of safety before we feel confident that it won't kill us with another rebound."

Perhaps significantly, paper and forest products, which face no Japanese competition, is one of the few major export industries which has launched enthusiastically into new investment programmes. This is an industry which could stand up comfortably to foreign competition at an exchange rate well above today's levels. Its sales were up 17 per cent this year and profits jumped by 46 per cent. This year it is increasing capacity by 2.2m tons or 3 per cent - the largest increase in 14 years. It plans a total of 6m tons in new capacity by 1990.

Even Caterpillar, a company which has managed to re-establish its international leadership in construction equipment and pushed back its Japanese rival Komatsu to the market position it occupied in the early 1980s, says it cannot yet charge adequate prices and still has excess capacity both in its US operations and overseas.

In a sense, this argument is reassuring. If pricing is really the main obstacle to an improvement in the US trade balance and a revival of industrial investment, then further devaluation of the dollar will work counterproductively. Sooner or later the Japanese and other importers will have no choice but to raise their US prices dramatically or suffer intolerable losses. If they have not raised their prices already, it is simply because the dollar has not fallen far enough "to really hurt."

The rule of thumb among US industrialists now seems to be that the "pain level" for their Japanese rivals lies somewhere between Y120 and Y100 to the dollar. Of course, this may imply a dollar that is substantially undervalued by some conventional measures such as purchasing power parity. This occasions no distress in US industry or among policymakers in Washington.

As one senior and widely respected Federal Reserve official puts it: "After five years when the dollar was way too high in purchasing power, we probably now need a dollar that is way too low."

Of course, letting the dollar fall risks inflation. But after Black Monday, most US officials seem to regard that as a risk worth taking, to boost exports, curb imports and possibly tempt even the corporate anorexics to invest and expand.

## Executives stress their reluctance to make long-term decisions on the basis of temporary falls in the dollar

But how important are capacity shortages in explaining America's poor trade figures and does "anorexia" account for industry's modest investment performance?

One of the best gauges of the capacity pressure on an industry is its ability to impose price increases on customers. According to the latest purchasing managers' report, input price increases have been "substantially confined to paper, metal and plastic-related products." In contrast, Mr Hackett of Cummins notes that his firm has not been able to make significant price increases since 1985 and analysts estimate that next year diesel engine prices will rise no more than 1 to 2 per cent.

## Electricians' Christmas word

In the view of many British trade union leaders the EETPU electricians have, for a long time, been sticking out their collective chin, and saying, "Go on, then - hit me."

Some observers were, however, beginning to think that things were at last starting to calm down. The hostility engendered by the union's role in the lengthy News International Wapping dispute had tempered even the EETPU's pugnacity, or so it seemed.

Yet the union's 1987-1988 Industrial Relations Yearbook, a half-published yesterday, proves to be a sure-fire recipe for disaster at the susceptibilities of other less progressive unions.

Eric Hammond, EETPU general secretary, says the publication is "a permanent feature of our organisation's varied efforts to improve communications in British industry."

That means in practice that, for the second year running, the prime inside cover advertising space is taken by News International - which only last week revealed plans to formalise its non-union status for its production employees.

This year, though, the EETPU goes even further. Included in a selection of guest contributors is a piece from Sir John Hoskyns, director-general of the Institute of Directors.

Praising the EETPU's controversial strike-free, single-union agreements, Hoskyns uses his space to urge the government to bring in legislation to prevent strikes in essential service industries.

## Stayers

The terms of office of the City's two chief regulators, Sir Kenneth Berrill and Robin Leigh-Pemberton, both come to an end in the middle of next year - and both are keen for their appointments to be renewed.

But Leigh-Pemberton, at the Bank of England, is also believed to be less than keen to see his counterpart at the Securities and Investments Board reappointed.

## Men and Matters

Leigh-Pemberton, together with the City and Industry Secretary Lord Young, has the final responsibility for deciding whether or not to renew Berrill's appointment.

Tension between the two men has steadily risen. On several occasions in recent months, Leigh-Pemberton has dropped hints in public, and made more direct comments in private, which are strongly critical of the SIB and the complexities of its rule book.

However, the intellectual rigour of his critique of the new regulatory regime is being treated with less than wholehearted respect not only by officials advising Lord Young at the trade and industry department but also by some of his own officials at the Bank.

Leigh-Pemberton's own five-year term expires at the end of June. An announcement is expected from the Government before the end of the year.

Berrill, whose term expires at the end of May, may have to wait longer for a decision. But it is doubtful whether Leigh-Pemberton alone, even if reappointed, will carry enough weight to veto his reappointment.

## Sharon's party

Guarded round-the-clock by a dozen policemen, Arik "Bull" Sharon, Israel's industry and commerce minister, is throwing an open house party tonight at his controversial new residence in the Moslem quarter of Jerusalem's old city.

Among those who have already said they will attend the right-winger's pre-Hanukkah festivities is the city's veteran mayor, Teddy Kollek. He has denounced the whole event as a publicity stunt, and "a political act."

A challenger for the leadership of the Herut Party of prime minister Yitzhak Shamir, once the ageing Shamir steps down, the

Bullfighter is a dab hand at self-publicity. "He has no ideology, his ideology is himself," a former close aide recently confided.

Following the Sabra and Chatilla camp massacres of September 1982, in Beirut, he was forced to step down as defence minister while at the height of his power. But as industry minister for the past three years Sharon has to a large extent managed to rehabilitate his tarnished image with the public severely damaged by his role in the Israeli invasion of Lebanon.

On record as advocating the formal annexation of the occupied West Bank and Gaza Strip, the one-sided dishing of paratrooper commander has been transformed - with the help of a judicious dose of patronage - from being "the terror of the Arabs" into "the businessman's friend."

Just how many of those friends turn up tonight at his housewarming party in the heart of the old city, where a number of Jews have lately been attacked, will be interesting to see.

## Bull market

While we have become accustomed to the idea of *glasnost* it is, nevertheless, surprising to learn that the Kremlin's military advisers in Kabul are calling upon British and French manufacturers to put a shine back into the demoralised troops of the Afghan army.

They have turned to the Kiwi company for help, placing an order for 1m tin snail boots.

Kiwi Products (UK) based at Holey, Huddersfield, expects to fulfil half the order, with the rest being produced by Kiwi France.

Elite army units of the US, France, and Britain, already use this particular polish to maintain pride and morale. Indeed, the British armed forces have used Kiwi since the 1914-18 war - the Naafi spends more than \$200,000 a year on it.

Steve McCormack, factory manager at Huddersfield, says the Army chooses Kiwi because it produces the best shine, and his workforce of 64 will be happy to make the polish for the Afghans.

It will be interesting to see if the Americans object to the deal by classifying boot polish as a "sensitive export item."

Kiwi would be able to argue in defence of its big order that the polish is for ceremonial applications. Troops in the battle line are now discouraged from "bulling" their boots to a bright shine because the reflective toe-caps show up on radar and other surveillance equipment.

On the other hand the Americans might argue that a smart soldier is a better soldier.

## Safe launch

The district council of Glyndwr, which is spending \$150,000 to attract holidaymakers to its delectable corner of north Wales, is making sure every penny goes into the project.

When it launched a three-year tourism project at Chirk Castle, the Welsh border fortress yesterday, guests toasted the new initiative in water.

Phil Durrell, deputy planning officer for Glyndwr District Council, explained that the intention was to stress the importance of the government's Christmas message: Don't Drink and Drive, and to show that Glyndwr is saving every penny to spend on tourism.

"It is very special spring water," he hastened to add, "Decanting from the Clwyd hills." Ironically the district is named after Owain Glyndwr who in the 15th century chased the English out of Wales. Now the Welsh want to bring them back - if only for holidays.

## Too much to ask?

A reader tells me of a card in a south London shop window. "Trade unionist wants to buy press cuttings or transcripts of speeches by Arthur Scargill. Must be reasonable."

Observer

# A white Christmas in the FT. could never be anything but pink.



Laurent-Perrier Cuvée Rosé Brut.  
The Champagne of champagnes.



## Dice loaded against chips

From the Director-General of the Electronic Component Industry Federation.

Sir, In your leader on the semiconductor industry (December 2), you refer somewhat disparagingly to "the assertion that micro-electronics is not only vital to a wide range of other industries but is a key factor in their competitiveness", and continue: "Hence, it is claimed, an investment in advanced chip technology drives forward the whole of the rest of the economy. However the argument is dubious".

If your dubiety relates to the key role of micro-electronics in the economy, you adduce no reasons - and I doubt if the preponderance of informed opinion, not least in the industries using micro-electronics, would share your doubts.

Given the unique importance of micro-electronics, the European Electronic Component Makers Association (EECA), of which this Federation is the UK member, believes that the case for ensuring that Europe has its own world-competitive capability.

The UK semiconductor industry is more than willing to take part in a European programme to this end, and I do not believe any member of it would for a moment "hope to survive exclusively on domestic sales" (more of your disparaging words).

But it must be recognised that the UK industry does not enter such European endeavours from a position of strength compared with its competitors - whose efforts, recognising the fundamental importance of micro-electronics, have by direct and indirect means distorted the market to the advantage of their own industries - and to considerable effect.

The UK industry is not asking for protection; it can and does compete; but the dice have so far been heavily loaded against it by government policies.

Richard T.W. Bullock, ECIF, 7-8 Savile Row, W1

## Software funding was well spent

From Mr Martin Thomas.

Sir, The software engineering component of the £350m Alvey programme of information technology research has focused on CAD tools to improve software productivity, and on computer-aided design methods to improve quality.

As a result, the UK now leads the world in the development and application of this technology, which gives many UK industries a strong competitive advantage in world markets for products which incorporate microprocessors.

The economic benefits of this achievement could be considerable. Indeed, Brian Oakley, who until recently directed the whole Alvey Programme, has written that "mathematically formal design methods will revolutionise software development, with an economic impact as great as the revolution in civil engineering in the last century. I wholeheartedly support this view."

In this context, the forthcoming report from the London Business School, described by you on November 23, seems inconceivable.

It is certainly not true that "Alvey has misdirected resources into an area of software which is unlikely to shape the industry", which is what you quote the report's authors as saying. I can only conclude that either the extracts from the report have been taken out of context or, reluctantly, that the report's authors do not understand either the technology or the industry.

I would normally wait until a report had been published in full to comment on its contents, but in view of the impending and very important decision on Government funding of a follow-on research and development programme, I feel impelled to correct the misleading impression given of the success of the present programme.

Martin Thomas, Chairman, Praxis Systems, 30 Mansers Street, Bath, Avon

If intended for publication, letters to the Editor should include, where possible, a daytime telephone number.

## Letters to the Editor

### Problems cannot be wished away

From the Director-General of the Confederation of British Industry.

Sir, I have read Mr Irvine Patrick's letter of December 4 with interest and no little concern. Business rates now cost over £70n a year; and it would be unfortunate, to put it no higher, if the debate in Parliament on the proposed changes is not properly informed.

The Government's proposals represent a distinct advance to the extent that business is protected against future real increases in rates. Since non-domestic rates have risen in real terms by some £2bn (34 per cent) over the last six years this is an important improvement.

But the introduction of a uniform business rate (UBR) poses serious problems that cannot simply be assumed away by political rhetoric. To identify but a few:

The proposed level of UBR consolidates existing waste and inefficiency within local government. At a time when business needs to retain more money for investment, it cannot make sense to be paying some £2bn a year for services that are not received.

Following revaluation, there will be a transfer of some £430m, 1986 prices, of resources from the rest of the country to the east Midlands and the north. But using property values as a means of promoting regional development is an extraordinarily crude and unhelpful approach.

Business rates following revaluation will rise sharply (by 30 per cent or more) in precisely those areas which have tried hardest to manage their affairs responsibly in the past. A policy of penalising success rarely works.

Competition among authorities to attract inward investment and jobs on the basis of their careful husbandry will be eliminated. Business rates will not reflect the level and quality of local services. The Government's proposals do not represent the only way forward. The CBI has published its own ideas, as a contribution to the debate on this subject. We believe that the problems which the UBR can be resolved, within the framework of the Government's Bill and without an added burden on the Community Charge. Our proposals reflect the following basic propositions:

1. The Government's housing and education legislation will be enacted into law. Following this, business ratepayers should no longer be required to subsidise council house rents, and some form of direct Exchequer grant for secondary education will be

### Scots seek some recompense

From Mr G.A. Mackay.

Sir, I do not substantially disagree with James Buxton on Scotland (December 4), but there are three comments I should like to make.

First, he remarks on the low level of entrepreneurship and the dependent attitudes of many Scots. There are many entrepreneurial Scots living in England, North America and elsewhere.

One of our major failures is our inability to keep many of our brightest business brains in Scotland. As long as the high level of emigration continues we shall always be struggling in some industrial sectors. (Even the Glasgow Rangers Football Club has had to resort to importing ageing English footballers.)

Second, economic policy as articulated by bodies like the Scottish Office and the Scottish Development Agency discriminates against indigenous firms. The emphasis is very much on the attraction of inward investment and, more recently, new business starts.

Third, it is inevitable in a country like ours that certain policies in the interest of the United Kingdom are not necessarily in the interests of individual nations like Scotland and Wales. The reality should be that our North Sea oil and gas reserves is an example.

It is perfectly fair and understandable for Scots to seek some adjustment or recompense for such inherent conflicts of interest, for example through an effective regional policy. That is not moaning or feeling sorry for ourselves.

G.A. Mackay, Southorn House, Inverness

### Sympathy for Scots, but not much

From the Leader of the House of Commons.

Sir, I note your report (November 30) that three quarters of all interviewed felt that the Thatcher Government does not care about Scotland.

In support for industry and industrial development the Government gives much more to Scotland than to any of the English regions. In the House of Commons, the Government would care for us as much.

I know, having campaigned for three years for a Minister for the North in the Cabinet to counter the North/South divide, along with the Secretary of State for Scotland, that the Government cares less for the deprived English regions than it does for Scotland.

The Scots have my sympathy, but not much. CBI, County Hall, Beverley, North Humberside

### NHS needs clearly defined aims

From Mr Christopher E. Gallop.

Sir, I am prompted to ask why your leader writer believes (December 9) that yet a further round of structural reforms of the NHS - and it would be the fourth in 15 years - is likely to produce any more satisfactory results than the previous three. In my opinion all of the past reorganisations have failed to address, or worse, have exacerbated the two central problems faced by those trying to manage the NHS.

These are, first, that although everyone believes that they know what the NHS is for, it is in fact almost wholly lacking in clearly defined and stated overall aims and objectives. This has long been recognised as a highly unsatisfactory state for a commercial organisation to be in - it is no less dangerous for the NHS.

Second, the whole structure of the organisation is permeated with medical staff, with no management skills or training, in positions of management responsibility or influence. In many cases these doctors and nurses deeply resent the management body which the organisation imposes on them.

The solution is there, within the NHS itself, in the highly effective and rigorously selected and trained group of specialist NHS management staff. But unless the Government summons up the political will to place NHS management firmly in the hands of NHS managers, there will be no end at all in subjecting the NHS to yet another round of structural reforms.

Christopher Gallop, 78 Hamilton Road, SW19



### Crocodile on the menu

From Mr Frederick O. Marsh.

Sir, I read with interest your correspondent's suggestion (December 1) that, with the rising demand for fish, there may be scope for alligator bones.

On a recent visit to Zimbabwe I sampled crocodile tail as a delicacy at a hotel in Victoria Falls and Harare. These gourmets' delights are superior both in taste and appearance to the dark, rather tough North American alligator meat.

This could be because the Zimbabwean farm and "hand-fed" their young crocodiles. It was suggested to the Zimbabwean authorities that their farm output should be increased in order to meet the increased demand from overseas importers, as well as making a positive contribution to their export trade.

Frederick Marsh, Marsh Business Services, Suite 4, 40 Buckingham Gate, SW1

### When you wish upon a star...

From Mr L. Reich.

Sir, Potentially the most useful of British Telecom's Star Services, now available on the new electronic exchanges, is that of being able to divert incoming calls to another number. In the half-year that I have been an unfortunate customer, the system has been "on fault", that is, unusable, on more than 20 occasions.

Do not throw out your telephone answering machines yet! L. Reich, 15 Newton Street, Manchester

of the main planks of all legislation on education has always been equality of opportunity: this Bill goes a long way towards destroying this ideal - an ideal no less valuable for the fact that like many, it has not become a reality.

Another undesirable feature is that "popular" schools would be expanded yet further at the expense of "unpopular" ones, which would presumably have to close. The net result, of course, would be reduced parental choice - the opposite of what is, according to the rhetoric, the main purpose of his proposals.

Parents know that a school "popular" with parents results in overcrowded classes and inadequate facilities. This would be no different if the Department of Education and Science were the paymaster rather than the local education authority.

The Bill, if passed, will achieve exactly the opposite of what it purports to achieve. Furthermore, there is a serious danger that school governing bodies could be taken over by small groups, to the detriment of the education of the great majority of the children.

I resent the implication in your article that parents who do not support opting out are not concerned about their children's education. It is because we are concerned about our children's education that we do not support opting out. I concur with your view that in the end it is only the teachers who can provide the education service. It is right for the DES to be involved, a national system is a good thing; parents and the local community should be more closely involved, as you say, education is too important to be left to the teachers. But I am convinced that reform could be achieved using existing legislation, including the 1986 Education (No.2) Act. Many of its provisions have yet to be implemented. I fail to see the need for extreme measures such as those proposed.

Finally, I must dissociate myself from those unspecified parents who, Mr Baker claims, support the kind of measures he is proposing. I would like to challenge Mr Baker to produce any evidence that substantial numbers of parents want to see the kind of change he is proposing in the Education Reform Bill.

R.T. Loeffler, 69 Harcourt Road, Redland, Bristol

OFFICIALLY, all European governments welcomed last week's treaty doing away with intermediate nuclear forces (INF). But then each hurried on to prescribe an agenda of steps that should follow, clearly hinting at anxieties about less favourable scenarios which otherwise might follow.

As usual, it is in France that these anxieties have been most fully and hurriedly spelt out. Alain Peyrefitte, the veteran Gaullist leader who now edits Le Figaro, claimed last week to detect "a whiff of Yalta".

"Already in 1945," he wrote, "an aged and weakened US president had abandoned one half of Europe... and now once again an aged and weakened American president is persuading himself of the Soviet empire's benevolence. Is he preparing to abandon to it the other half of Europe?"

That is vintage Gaullism. To suggest that Roosevelt "abandoned" eastern Europe to Stalin at Yalta is a travesty of the historical record, and to insinuate that Reagan is now preparing to "abandon" western Europe to Gorbachev is, if anything, an even greater absurdity. What is true is that Roosevelt for a time persuaded himself that he and Stalin had forged a good working relationship, which could be maintained after the war was over and become the linchpin of a stable and peaceful world order. He articulated and encouraged an American wartime mood of cheerful camaraderie with "Uncle Joe" and "our great Soviet ally".

That mood may not have been shared by de Gaulle, but it was certainly not unknown in Europe at the same period. Few ever forgot the happy days of all the way with the obsessive anti-Communism that gripped the US soon afterwards in the days of Senator Joe McCarthy, and few in more recent times felt entirely happy about Mr Reagan's public denunciation of the Soviet Union as "an evil empire".

It is the extreme volatility of US public opinion - exaggerated rather than softened by the public utterances of its leaders - which unnerves many Europeans. As Mr Peyrefitte writes, "the Americans have passed from anti-Communist hysteria to the hysteria of the 'Gorbachev-show'". But when he goes on to assert that "where President Reagan denounced a few months ago the 'empire of evil' he now sees the 'incarnation of good', Mr Peyrefitte surely betrays an anti-American hysteria of his own.

As Hans-Dietrich Genscher, the West German Foreign Minister, said in a recent speech, "those in Europe who emit the wrong signals to the United States take on a heavy responsibility". In particular, one might add, those Europeans who profess to fear American "abandonment" of western Europe would do better to avoid reacting to every twist and turn



## Barriers to a non-nuclear Europe

of US policy, whether towards confrontation or détente, with theatrically exaggerated shrieks of horror.

A much more carefully phrased and argued version of the same thesis appeared in the same newspaper the following day, written by Francois Leotard, who represents a new generation of moderate conservative politicians in France, closer in outlook to their contemporaries in Britain and West Germany. Mr Leotard currently wears the slightly Orwellian label of Minister of Culture and Communication, but would have been Defence Minister had not President Mitterrand vetoed him on grounds of inexperience. Last week's article looks like an attempt to reassess his qualifications for the post.

Europe writes Mr Leotard, has no reason to rejoice over the INF agreement, which is "useless, and even dangerous for her security" (his italics). Useless, he says, because it leaves intact the Soviet arsenal of long-range missiles which, of course, can reach western Europe just as easily as they can hit the US; dangerous because it makes the threat of US nuclear retaliation against a Soviet invasion of western Europe less credible, and because it is bound to increase the pressure for a complete denuclearisation of the region.

The first two of those three arguments do not strike me as convincing. If Soviet medium-range missiles posed no additional threat to western Europe, why were they deployed and why did western Europeans make so much fuss about them at the time? Answer: they seemed more threatening to that region precisely because they did not directly threaten the US; therefore, they raised the spectre of a nuclear war in Europe which the US would be able to stay out of - that is, one which Soviet leaders might just possibly believe they could survive. From that point of view, the deployment of American medium-range missiles in Europe was a reply to the Soviet SS20s, and has now achieved its object by securing Soviet agreement to destroy them.

It is true that it was also supposed to add credibility to the notion of flexible response, precisely by giving the US president the theoretical option of retaliating with a nuclear strike against Soviet territory without going all the way to an intercontinental exchange. But that argument is

### Edward Mortimer examines why the superpowers' dream is a nightmare for some Europeans

unconvincing both to the layman and to many military theorists. What US president would ever really believe that, in ordering a nuclear strike against Soviet territory, he was not exposing his country to retaliation? And what Soviet leader would base his decisions on the assumption that that was how the US president would think?

Mr Leotard's third argument, that the agreement could be a first step towards the denuclearisation of Europe, is more serious, especially in view of the stated long-term aim of both Mr Reagan and Mr Gorbachev to achieve a non-nuclear world. (They seem only to be divided on whether the deployment of anti-missile defences in space would be a step towards that goal or away from it.) It is not so much an argument that the agreement is bad in itself, as a warning that Europe should be on its guard about what comes next.

Of course many people, not in France perhaps but in other western European countries, will ask why the denuclearisation of Europe is not something to be devoutly striven for. The easy answer is that a nuclear deterrent is essential to western Europe's security so long as Nato's conventional forces are heavily outnumbered in Europe by those of the Warsaw Pact, and especially so long as the structure and equipment of the latter are clearly designed for offensive rather than defensive war.

That should make it easy for western European governments to insist on eliminating the conventional imbalance before going any further down the road of nuclear disarmament in Europe. Many recent Soviet statements, including the new military doctrine defined by the Warsaw Pact leadership at their meeting in East Berlin last May, suggest that negotiations on this basis are worth pursuing and that the new Conventional Stability Talks should be something better than the old Mutual and Balanced Force Reduction Talks writ small. But it would be unwise to take this for granted; and the chances of success will surely be improved if western Europe makes a convincing display of willingness to redress the balance by improving its conventional defences unless or until agreement is reached - just as, to get Moscow to negotiate seriously on INF, Nato had first to prove its willingness to deploy cruise and Pershing-2 missiles.

The more awkward question will arise only if and when an acceptable conventional balance is achieved. At that point the argument for complete nuclear disarmament will seem very seductive. The main argument against it will be drawn from Europe's memory of the pre-nuclear age, and from the more recent experience of parts of the world like the Gulf where nuclear weapons are not yet deployed. Both tend to suggest, as Francois Heisbourg, director of the International Institute of Strategic Studies, has reminded us, "that there is no such thing as a stable conventional balance".

To abolish nuclear weapons altogether would "make the world safe for conventional war", whereas no one would ever start a war knowing that they ran the risk of nuclear retaliation. So runs the argument, but I foresee difficulties because none of Europe's statesmen really behaves as if he believed it. If any did, surely he would advocate the widest possible distribution of nuclear weapons, including to countries such as Iran and Iraq where the need for an effective deterrent is most acute. But somehow even the French Government, which admittedly is lucid enough to refuse to sign the Non-Proliferation Treaty, has not yet gone all the way to that conclusion.

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# FINANCIAL TIMES

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Israeli soldiers drag a Palestinian youth from his house following violent demonstrations in the Gaza Strip town of Khan Yunis. He was taken to a nearby alleyway and beaten, then collapsed (right) while being led to an army truck.

## Palestinian death toll rises in Gaza riots

BY ANDREW WHITLEY IN JERUSALEM

A WEEK-LONG wave of violent disturbances in the Israeli-occupied territories showed little sign of diminishing yesterday as another Palestinian was shot dead by the army in Gaza, bringing the confirmed death toll to eight.

The violent clashes in Gaza are described by UN relief workers as "the worst in 20 years" since Israel captured the area from Egypt in June 1967.

Evidence is growing, meanwhile, of brutal reprisal beatings by tough Border Police re-inforcements sent in to restore order at the end of last week.

Doctors said that since Friday

dozens of Palestinians had been admitted to hospitals in the Gaza Strip and West Bank with broken limbs and severe bruising. Eye-witnesses have also reported widespread acts of indiscriminate vandalism inside refugee camps and hospitals by the paramilitary Border Police, many of whom are members of the Druze minority.

On Sunday, Mrs Felicia Langer, a left-wing Israeli lawyer, demanded that Mr Yitzhak Rabin, the Defence Minister, look into the specific case of two Palestinian journalists badly beaten by soldiers at the Bureij refugee camp in Gaza the previous day.

The army confirmed yesterday that the various allegations of mistreatment - described privately by senior officers as "serious" - were being investigated, but would give no more details.

If the violent clashes were not bad enough, the Israeli economy is also having to contend with a prolonged work stoppage by Palestinian labourers, in protest against the army's behaviour.

Most of the 100,000 Palestinians who come to work every day in Israel from the West Bank and Gaza - but are prohibited from sleeping overnight - stayed away from their jobs yesterday. The boycott, accompanied by a

commercial strike, began in Gaza last week but has now spread to most West Bank towns and villages.

In a concerted effort to dampen feelings in the occupied territories and calm the nerves of their own populace, army commanders and Israeli political leaders busied themselves over the weekend, denying that the situation was getting out of hand, or could be approaching a civil insurrection.

A senior army officer had earlier confided to Israeli journalists that Palestinians in the territories might soon feel they had nothing to lose by all-out protest.

## Peking put to test as basement store goes under

By Colina MacDougall and Steven Butler in Nanhang

THE NANCHANG Underground Department Store has gone under for good. Frustrated by the store's repeated losses and under pressure from its creditors, the local authorities last November declared it bankrupt.

But the affair remains hotly disputed. It was only the second bankruptcy in Communist China and the controversy surrounding the event shows why there have not been more.

After liquidating the old store by bravely trying out a trial bankruptcy law approved by the standing committee of China's National People's Congress, the country's parliament, the authorities found a bright new manager, Miss Wu Meixiang, who moved the store into daylight and renamed it the Liberation Road Department Store.

There is still a dingy, mouldy staircase leading into the underground-like confines of the old store, originally dug out as an air raid shelter during the Maoist era.

China's leaders have been trying to implement some form of bankruptcy law to put pressure on loss-making enterprises. However, the concept of bankruptcy does not sit easily with state ownership of the means of production, and has been resisted because it would mean the loss of jobs, possibly through no fault of their own.

The provisional bankruptcy law was to take effect three months after the enactment of a broader enterprise law which has yet to be approved. However, local authorities did not want to wait.

Alarmed by the accumulated losses of the store, they moved to liquidate it, after seeking clearance from the NPC and China's Supreme Court.

When the highly influential Mr Bo Yibo, one of China's ageing conservative leaders, caught wind of a Japanese news report about the store, he became alarmed. Suspecting that local authorities had infringed the law, he immediately demanded an explanation.

Mr Bo's actions illustrate the difficulties that local authorities may face when experimenting with bankruptcy.

Mr Guo Jianshang, an official of the Jiangxi Provincial Commission for Economic Restructuring, defended the actions of the local government. "He did not understand," Mr Guo said of Mr Bo.

The province was justified in taking action before the law took effect because the Supreme Court and the NPC had given prior clearance, Mr Guo said.

But the technicalities of the law were somewhat beside the point: Mr Guo said that Jiangxi is not likely to experiment with another bankruptcy because of the problems encountered. The Underground Department Store had run up debts of 1.62m yuan (\$435,200), only 730,000 yuan of which were repaid after liquidation.

Much of the store's food, clothing and household items had rotted away in the fetid atmosphere of the old air raid shelter and expenses were extremely high. The local authorities decided drastic action was required.

The Nanchang branch of the Industrial and Commercial Bank was pressing for the repayment of loans from the Nanchang Municipal Food Corporation, a major supplier to the store and a guarantor of its debts. The Food Corporation had to cough up for 56 per cent of the 1.3m yuan of debts it had guaranteed. Another 150 creditors, mainly other suppliers, got nothing.

More troublesome than the loss of money was the problem of what to do with the store's employees. For five months after the store was closed, the Food Corporation was forced to pay all workers 76 per cent of their original wages.

Miss Wu, who once worked in the old store, hired 106 of the former employees after her successful bid to take over the new store.

This left unsolved the highly-controversial problem of what to do with the remaining 52. The lack of any means of dealing with redundancies has now led the central government to reconsider the entire issue. "We shall not carry out mass bank-runkings through liquidation," said Mr Song Tingting, director of China's Commission for Restructuring the Economy.

"This year we've worked out a new bankruptcy method. We're solving the problem by amalgamating an enterprise in debt with a successful one."

The idea is that a profitable company would absorb the losses of a failed company and turn it around. This, of course, raises the question of why a successful company would ever consider taking on a bankrupt company whose debts exceed assets.

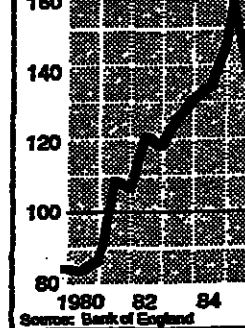
Mr Song, enthusiastically described his own experiences: "I've a schoolmate in charge of a food company who has taken over an enamel plant. He has turned it over to making cakes."

## THE LEX COLUMN

# Heading south for the winter

### Dollar Index

Ave. 1975 = 100



cent, it's all the same to him. Certainty is all.

So why decide on a straight sterling bond - a method favoured by few apart from property companies and investment trusts over the past year? For starters, forget equity: with the company's shares on a multiple of around eight, 11 1/2 per cent money does not look dear. But B&C argues that there is a more fundamental calculation to be made: are the returns expected from the acquisition and the company's existing businesses healthily ahead of the cost of borrowing? If so, it is consistent to fix the rate now rather than wait for the winter window, on the same grounds that it is sensible to make the acquisition now rather than wait for the market to fall.

### Maxwell/Pergamon

An extraordinary general meeting scheduled for New Year's Eve will set seasonal warning lights flashing for any old hand in the market. When it transpires that the meeting has been called to approve an acquisition from a private company which owns over 50 per cent of the public company in question, that raises suspicion might seem justified. Moreover, Maxwell Communication Corporation's deal with the private Pergamon Group can hardly be described as cheap, on an exit multiple of about 35. Given that Pergamon's 51.9 per cent of MCC cannot be voted it may be a wise precaution to seek a low turn-out.

Despite the fact that Pergamon's mysterious coffers may indeed need a re-fill after Black Monday, the above would not be entirely fair to the MCC management or its major shareholder. The price of the electronic and book publishing businesses has, after all, been cut from \$11m to \$100m, in the light of October 19 and the falling dollar. Also, steep though the rating may be it ought to fall sharply; it is not too excessive by the sector's bloated standards. MCC acquires the Ladbroke magazines at a higher rating, and it is undoubtedly true that these businesses are worth a lot more to the owners of the Pergamon Journals. That said, it can still only arouse old suspicions when Pergamon sells MCC, a major software supplier like Molecular Design only two months after it was acquired. Whatever view one takes of the strategic vision, MCC has a short-term problem, arising from the gap left by reduced dealing profits. Even on the current count to the market the shares need that juicy yield.

### B&C

Why should a company with a considerable reputation for financial shrewdness wish to tie itself to 25 year fixed rate money at 11 1/2 per cent? A first stab at the answer might be that British & Commonwealth's John Gunn is echoing the inflationary worries of the gilt market, hurrying to get in before interest rates resume their upward course. But Gunn's calculation of how to raise \$100m for the acquisition of Abaco is neither so short term nor so transparent to hear him tell it, 11 1/2 per cent or 10 1/2 per

### UK economy

The market's response yesterday to a very bullish survey from the CBI will have done nothing to close the gap in sympathy between manufacturing industry and the City. Despite figures suggesting industry order books at record levels, equities spent most of the day struggling downwards in thin volume. This will reflect partly the market's pre-Christmas torpor, partly a dismissive attitude towards industry's views which industry

## Lange attacks return of French agent

BY GEORGE GRAHAM IN PARIS AND DAI HAYWARD IN WELLINGTON

MR DAVID Lange, the New Zealand Prime Minister, lodged a fierce protest yesterday at the repatriation of a French agent convicted of complicity in the bombing of the Greenpeace vessel, Rainbow Warrior, in Auckland harbour two years ago.

Commandant Alain Mafart, one of the two secret service agents involved in the attack on the Rainbow Warrior and the killing of a Portuguese photographer on board, has been flown back to France for medical treatment.

Mr Mafart was released by the New Zealand authorities on condition that he remained in internal exile on the French South Pacific atoll of Hao.

Mr Lange said the repatriation of Mr Mafart was a "flagrant and scandalous violation" of the

agreement between the two countries under which France paid \$7m in damages to settle the Greenpeace dispute.

However, the French Government said that repatriation for urgent medical reasons was compatible with a parallel verbal agreement between the two countries. New Zealand will demand the agent is sent back to serve the remainder of his sentence as soon as his medical condition improves.

French officials said they thought the row would blow over after Mr Mafart had been examined by a New Zealand doctor, who flew to Paris yesterday.

The New Zealand Greenpeace organisation said the move was typical of France's high-handed attitude towards the South Pacific.

France's relationships with both New Zealand and Australia have been of barely veiled hostility for some years. The two South Pacific powers resent French nuclear tests on the Mururoa atoll, as well as France's continued hold on territories such as New Caledonia and Tahiti.

Earlier this month the United Nations general assembly voted against France on the territorial question, calling for independence for New Caledonia.

The still simmering Greenpeace affair has merely added to this hostility. New Zealand officials are angered by France's apparent lack of repentance over the Rainbow Warrior bombing.

Both French public opinion and the administration have remained firmly on the side of

the convicted secret agents and Prime Minister Jacques Chirac even visited them in their South Pacific exile earlier this year.

Patriotic approval for the Rainbow Warrior bombing has even driven the French branch of the Greenpeace organisation out of business. The ecologists group announced yesterday that it had "provisionally suspended" the French branch's operations.

Many of France's already rare ecologists have withdrawn their support for an organisation now perceived as anti-French and several of Greenpeace's staff have formed a rival splinter group.

The Rainbow Warrior was finally put to rest last Saturday when it was scuttled a few miles off the New Zealand coast.

## Arco told to halt plans for Britoil stake

BY MAX WILKINSON IN LONDON AND JAMES BUXTON IN EDINBURGH

ATLANTIC RICHFIELD, the major US oil company, has been told by the British takeover authorities that it cannot build up a 49.9 per cent stake in Britoil without proceeding to a full bid.

The two companies had agreed an arrangement whereby Atlantic Richfield (Arco) would build up a 29.9 per cent stake in the UK oil independent and then swap oil assets for a further 20 per cent of Britoil's equity. The agreement was in response to an attempt by British Petroleum to tender for 29.9 per cent of Britoil, probably with a view to making an outright bid. Britoil had said the arrangement with Arco would guarantee its inde-

pendence.

However, the UK Takeover Panel has said Arco would be obliged to make an offer for 100 per cent of the equity as soon as it had gained more than 30 per cent. The fact that the two companies have had talks about an asset swap would preclude Arco from obtaining a waiver under present takeover rules, the companies have been told.

Yesterday Britoil's share price rose to 376p in early trading, 28p above the price which Arco is tendering for 29.9 per cent of the company. The market is now waiting for a counter-offer from BP, which has bought 15 per cent of the shares and has said it

will top Arco's present offer for a further 14.9 per cent. BP's moves are considered to be the prelude to a full bid for Britoil, provided the British Government does not use the powers of its "golden share" to prevent a takeover.

Yesterday, at a press conference at Britoil's headquarters in Glasgow, Mr Lodwick Cook, Arco's chief executive, said that if BP launched a full bid, "we would give very full consideration to a similar move."

Arco intended to continue with its plan to acquire 49.9 per cent of Britoil. "We are very determined," he said.

He envisaged a situation in which both Arco and BP would each have 29 per cent stakes in Britoil. Arco, which already held 8 per cent of Britoil shares, would proceed with the assets swap arrangement.

Mr David Walker, chief executive of Britoil, said the proposed exchange of assets with Arco would mean a much enlarged production and exploration portfolio for Britoil.

He said there could be difficulties if BP acquired a 29 per cent stake and wanted to have representatives on Britoil's board. Conflicts of interest could arise if both companies were seeking licences in the same areas.

Barbara Durr reports from Lima: Peru devalued its currency nearly 40 per cent in an effort to stimulate exports and raise dwindling foreign reserves.

The official exchange rate rose from 20 Intis to 33 Intis to the dollar, a 39.4 per cent devaluation.

The Central Bank also announced that in the New Year, the exchange rate for importers and exporters would be adjusted monthly on the basis of 86 per cent of the consumer price index for the previous month.

## Bid to halt sliding \$

Continued from Page 1

a half. In terms of the D-Mark, the yen or Australian dollar, the value of gold was little changed, analysts said.

In the US, business economists expect growth in the economy to slow in 1988 but they also expect lower inflation, according to a survey published by the National Association of Business Economists yesterday. The survey, taken before the stock market crash of October 19, said that 43 per cent of economists expected a recession in 1988.

Mr Volcker said at the weekend that he thought too much emphasis was being placed on a lower dollar to turn around the record merchandise trade deficit and not enough on "fundamental measures."

## Mexico in economic upheaval

BY DAVID GARDNER IN MEXICO CITY

THE MEXICAN Government yesterday devalued the peso by 22 per cent against the dollar, the first measure in a radical anti-inflation programme which President Miguel de la Madrid was expected to announce to the nation last night.

Under the programme, the exchange rate will now be fixed, there is to be a renewed assault on the ballooning budget deficit and Mexico is to open its frontiers to imports as a way of controlling prices, currently rising at an annualised rate of 144 per cent, according to officials and analysts.

One-off price increases on public sector goods and services, such as a 130 per cent rise in the cost of petrol, are expected to increase revenue by the equivalent of 3 per cent of gross domestic

product (GDP), while budget cuts equivalent to 1.5 per cent of GDP are planned, including the closure of Aeromexico, the flag airline, and a cut in the public sector payroll of up to 200,000 people.

The package as a whole is a variant of the so-called "heterodox shock" plans attempted in 1985-86 to combat hyper-inflation in Brazil, Argentina and Israel.

The standard "heterodox shock" model combines a price, income and exchange rate freeze with budgetary correction, in contrast to the traditional anti-inflation programme of the International Monetary Fund, which concentrates almost exclusively on tight monetary and fiscal policies.

The main variation in the specific reference to prices, merely saying that they should be kept at current levels and that the five-man ministerial pricing committee should call an extraordinary conference if market rates deteriorate seriously.

The possibility that the accord might be rejected by Iran could not be ruled out yesterday.

Saudi Arabia and Kuwait, Iraq's closest Arab allies in the Gulf conflict which has increasingly bedevilled Opec, appeared to be determined to receive a positive reply from Mr Aghazadeh.

The "rolled-over" production-sharing pact sets an overall limit which was first agreed here last summer. The production quotas for each member were established a year ago in Geneva. The agreement is to be reviewed at the next scheduled biannual conference in Vienna next summer under the present understanding.

Several countries not involved in the Gulf conflict - Nigeria, Venezuela and Indonesia - had opposed the idea that Iraq should be allowed to produce as much as it could export, but on Sunday night their opposition seemed to evaporate.

Continued from Page 1

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The "rolled-over" production-

## World Weather

Location	Temp	Wind	Cloud	Humidity	Pressure
London	12	10	100	85	1013
Paris	10	12	100	85	1013
Brussels	10	12	100	85	1013
Amsterdam	10	12	100	85	1013
Frankfurt	10	12	100	85	1013
Berlin	10	12	100	85	1013
Munich	10	12	100	85	1013
Vienna	10	12	100	85	1013
Zurich	10	12	100	85	1013
Geneva	10	12	100	85	1013
Basel	10	12	100	85	1013
Stuttgart	10	12	100	85	1013
Düsseldorf	10	12	100	85	1013
Cologne	10	12	100	85	1013
Dortmund	10	12	100	85	1013
Essen	10	12	100	85	1013
Duisburg	10	12	100	85	1013
Münster	10	12	100	85	1013
Bielefeld	10	12	100	85	1013
Osnabrück	10	12	100	85	1013
Wuppertal	10	12	100	85	1013
Solingen	10	12	100	85	1013
Remscheid	10	12	100	85	1013
Witten	10	12	100	85	1013
Unna	10	12	100	85	1013
Bochum	10	12	100	85	1013
Herford	10	12	100	85	1013
Bielefeld	10	12	100	85	1013
Osnabrück	10	12	100	85	1013
Wuppertal	10	12	100	85	1013
Solingen	10	12	100	85	1013
Remscheid	10	12	100	85	1013
Witten	10	12	100	85	1013
Unna	10	12	100	8	

Readings at Midday Daylight  
Cologne & Bonn & Rhine by the Rhine & Rhine



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**A MOVING EXPERIENCE**  
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## SECTION II - COMPANIES AND MARKETS

# FINANCIAL TIMES

Tuesday December 15 1987

**NEWS EXTRA!**

... Unigate Poultry create  
1000 new jobs in Scunthorpe...  
Tel. 0724 869494  
to find out why ....

## Memorex International to buy Telex for \$900m

BY ANATOLE KALETSKY IN NEW YORK

TELEX, the US computer peripheral company which has been fighting off a bid from Mr Asher Edelman, the New York corporate raider, is being bought for \$900m by Memorex International.

Memorex, the world's largest independent supplier of plug-compatible peripheral devices for IBM computers, was spun off a year ago by Unisys and is now headquartered in Amsterdam.

The deal, signed on Sunday night, values each Telex share at between \$61 and \$62, yielding Mr Edelman and his partners a comfortable profit on the price of roughly \$50 a share which they are believed to have paid for their stake of less than 10 per cent in Telex.

Telex has also agreed to pay the Edelman group \$9.5m to settle outstanding litigation. This sum is designed to cover Mr

Edelman's expenses in mounting his earlier tender offer for Telex. Memorex Telex, as the new company is to be called, will be one of the world's largest manufacturers and suppliers of computer peripherals. Memorex, which has 6,600 employees worldwide, mostly in sales and customer support, generates 70 per cent of its revenues outside the US.

Telex, which has 8,000 employees, is primarily a manufacturer of computer terminals and printers, and derives most of its business from the American market. Memorex will mount a tender offer for 90 per cent of Telex, paying \$56 in cash plus \$5 in preferred stock for each Telex share.

The terms of the preferred stock, which will yield 14 per cent a year and will pay dividends in kind for the first three years, have been designed to pro-

vide a value of at least \$5 a share in cash when the merger deal is concluded.

Although Memorex is already heavily burdened with debt because of the \$550m management buyout in which it was spun off by Unisys, it appears to envisage no problems in financing the Telex acquisition.

The difficulty of raising new debt for highly-leveraged takeovers in the wake of the stock-market crash in October was believed to be one reason why Mr Edelman lowered his earlier offer of \$65 a share for Telex to \$55 a share.

An international syndicate of banks led by Morgan Guaranty is expected to lend \$750m as soon as \$200m of subordinated bond financing is arranged. Drexel Burnham Lambert has said it was "highly confident" of putting together the subordinated junk bond portion of the deal.

## Hutton expects dismissals this week

By Our Financial Staff

E.F. HUTTON GROUP, the Wall Street investment bank being taken over by Shearson Lehman, expects to begin dismissing staff as early as this week, but declined to say how many.

The company would not elaborate on what portion of the company's 18,000 employees would continue to work for the firm once the merger with Shearson was completed.

On December 3, Shearson and Hutton announced a definitive agreement for Shearson to acquire all the outstanding stock of Hutton for \$29.25 a share.

Hutton said the "bonus situation is proceeding," noting that Mr Robert Ritterer, Hutton president, had said Hutton employees who were dismissed because of the merger would still receive a bonus.

It is understood that dismissed employees will also receive severance pay based on length of service to Hutton.

Employees with under five years' service will receive one week of severance pay for each year employed. Employees who have worked at Hutton for five to 10 years will receive two weeks of severance pay for each year.

## Alcan sees dollar as key to growth

BY OUR FINANCIAL STAFF

ALCAN ALUMINIUM, the Montreal-based aluminium producer, says its fortunes in 1988 hinge on dollar confidence and low interest rates.

Mr David Morton, president, said: "If the world continues to support the US (budget) deficit and there isn't a loss of confidence in the US dollar, then we'll see a banner year. But if interest rates rise, then the developed economies will run into a brick wall."

John Wicks on a heavy industry that came back from the brink of bankruptcy

## Taking mid-West power out of bankruptcy and into profit

AS RECENTLY as 1984, Consumers Power, the Michigan-based utility, seemed to be heading for bankruptcy. After investing \$4.1bn to build a nuclear power station at Midland, the project had to be abandoned when it was 85 per cent complete.

Faced with heavy debts, a lawsuit brought by Dow Chemical and a loss of confidence on the part of investors, the company was saved only by a backdated rate increase approved by the state and an early payment of a fuel bill by General Motors.

Today, things look very different. CMS Energy, formed this May as a holding company parent for Consumers Power, is running at a steadily increasing profit. \$106.7m or \$1.24 a share for the first three quarters - and in the process of retiring \$1.9bn worth of debt, preferred stock and preference stock by 1991.

Even more important is that a power station will be built on the Midland site. The original project had difficulties from the start. It was announced in 1967, though work on the site did not begin until 1971.

Regulations governing the construction of nuclear plants became much more stringent following a fire at the Tennessee Valley Authority's Browns Ferry nuclear power station in 1975

CMS ENERGY'S FIVE YEAR RECORD				
Year	Revs (\$m)	Net Inc. (\$m)	ROE (%)	
1982	2,731	281	11.5	
1983	2,974	348	11.9	
1984	3,236	221	4.3	
1985	3,298	-270	-	
1986	3,108	178	3.4	

Power (of electricity) and Dow (steam and electricity).

MCV will be run as a partnership, with 51 per cent of the equity held externally. The remaining 49 per cent of CMS Energy itself will take the form of \$385m worth of existing equipment.

The biggest of the outside shareholders is Dow, with a stake of \$115m, equivalent to 10 per cent. The remaining equity lies with its suppliers.

According to Mr Joseph Paquette, CMS chief financial officer, "we made it clear to everybody, right at the beginning, that if they wanted to participate as a vendor, they had to make a contribution to the equity of the partnership". No one had turned this down.

The trend in the US power industry was towards indepen-

dent producers, likely to take the form of consortia and joint ventures and could well be partially financed by equipment manufacturers.

CMS Energy still has a substantial hang-over from the abandoned nuclear project. Only \$1.5bn of the original investments can be used in the conversion to a gas-fired station. Of the rest, some \$2.1bn will have to be covered over a 15-year period with the help of extra rates of \$143m annually.

Prospects look good, however, particularly since the company will start earning from the MCV unit in little less than a year. Shareholders can expect a "fair return from year one," says Mr Paquette.

CMS Energy could well become something of a name on international capital markets. It has been raising short-term funds through Continental Illinois on the European commercial paper market in recent months, and Mr Paquette says it is now considering a listing on the London Stock Exchange.

Between 3m and 5m of the company's common shares are already held in Europe, primarily through London. This autumn, Mr McCormick also held talks with European bankers on the possibility of European borrowing transactions.

## Amfac to sell its mainland US operations for up to \$750m

BY LOUISE KENOE IN SAN FRANCISCO

THE BOARD of Amfac, the San Francisco based property, food and agriculture conglomerate, has approved a sweeping restructuring plan under which the company will sell all its US mainland operations, valued at between \$600m and \$750m, and return to its roots in Hawaii.

The company will seek a joint venture partner to develop its land and agriculture operations in Hawaii, where it has huge land holdings, most of them in sugar and pineapple plantations. Amfac is looking for investors to pay cash for up to half its Hawaiian land operations.

The net proceeds of the sales of operations would be returned

to shareholders in the form of a cash or cash-and-equity distribution.

Mr Henry Walker, Amfac's chairman, said the plan "was designed with careful attention to the interests of our shareholders and is intended to focus our continuing operations on our Hawaii core holdings".

He defended the decision to develop its properties in Hawaii as "the most realistic course of action open to us in terms of realising immediate potential, given the political and legislative climate in Hawaii".

Analysts had favoured a spin-off of Amfac's valuable

Hawaiian property, but concerns about such a move have raised a political storm in the islands, where Amfac is the largest employer.

Amfac's mainland operations include health care and electrical distribution operations; resorts in California's Napa Valley, the Grand Canyon and elsewhere; and one of the largest US mushroom growing operations.

Last year these operations generated \$1.57bn in revenue, about 80 per cent of Amfac's total, but only 17 per cent of operating profits. Amfac had a "lot of parties interested" in its operations, but no firm buyers yet.

## GAF buy-out to go ahead on lower terms

BY JANET BUSH IN NEW YORK

THE PROPOSED management buy-out of GAF, the US specialist chemicals and building materials group, is going ahead under revised, lower terms which reflected the sharp fall in GAF's share price since its original offer, the management group said yesterday.

The new offer, led by Mr Samuel Heyman, GAF's chairman and chief executive, is worth \$40 in cash and \$8.50 principal amount

of notes for each GAF share, valuing the company at \$1.62bn. This compares with the previous offer, announced on September 8, of \$44 in cash and \$2.50 principal amount in notes.

On October 19, Mr Heyman said that his group intended to reconsider its proposal in the light of the unprecedented deterioration in credit and financial markets. GAF's share price

had closed on October 16 at \$52. At mid-session yesterday, the price stood at \$45.

Mr Heyman said yesterday: "We believe that the proposal, which reflects more than a sixfold increase in the price of the company's stock since a new management and board took office in December 1983, presents an attractive and timely opportunity for shareholders to realise the value of their ownership in

GAF." The GAF management group told the committee of outside board members that it had retained the investment banking firms Drexel Burnham Lambert and Merrill Lynch Capital Markets as financial advisers.

It intends to finance the buy-out with its own funds and bank borrowings under a syndicated loan from a group of banks led by Chase Manhattan.

This announcement appears as a matter of record only.

New Issue

December, 1987

**Scotland International Finance B.V.**  
**U.S. \$200,000,000 Floating Rate Notes**

Guaranteed on a Subordinated Basis by

**The Governor and Company of the  
Bank of Scotland**

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This announcement appears as a matter of record only



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Société Générale**

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**The Sanwa Bank, Limited**

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**Credit Lyonnais**

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December 1987



U.S. \$200,000,000

**MARINE MIDLAND  
BANKS, INC.**Floating Rate  
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Interest Rate	8 3/16% per annum
Interest Period	14th December 1987 14th March 1988
Interest Amount per U.S. \$50,000 Note due 14th March 1988	U.S. \$1,034.81

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Guaranteed Floating Rate Notes  
due 1986 to 1992For the six months 11th December, 1987 to 13th June, 1988 the Notes  
will carry an interest rate of 8 3/4% per annum.  
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Agent Bank

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(London Branch)

U.S. \$20,000,000

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(Redeemable at the Certificate Holder's option in 1987)

In accordance with the provisions of the above Certificates,  
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December 1987 to 10th June 1988, the Certificates of  
Deposit will carry an interest rate of 8 3/4% per annum.The interest payable on each U.S. \$500,000 Certificate on the  
relevant interest payment date, 10th June 1988, will  
be U.S. \$21,127.60

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**THE SOCIETY FOR SAVINGS**Collateralized Floating Rate Notes Due 1991  
of which U.S. \$50,000,000 is the Initial Tranche  
and U.S. \$25,000,000 is  
the 1st Subsequent TrancheNotice is hereby given that the Rate of Interest has been fixed  
at 8.4375% p.a. and that the interest payable on the relevant  
Interest Payment Date, June 15, 1988 against Coupon No.3 in  
respect of U.S. \$25,000 nominal of the Notes will be U.S. \$1,072.27.

December 15, 1987, London

By: Citibank N.A. (CSI Dept.), Agent Bank

**CITIBANK****MONTEFIBRE**Joint Stock Company - Registered office: via Pola 14 - 20124 Milan  
Share Capital: Lire 300 billion fully paid  
Milan Court Companies Registry No. 12657  
Fiscal Code No. 0085600157**PAYMENT OF AN INTERIM DIVIDEND**Shareholders are hereby informed that the  
Board of Directors of Montefibre held a meeting  
on December 11, 1987 to examine the accounts  
as of September 30, 1987.From the accounts it results that the economic  
and financial condition of the company allows  
the distribution of an interim dividend for total  
amount of Lire 18,000,000,000.Accordingly, pursuant to article 2433 bis of  
Italian Civil Code, the Board resolved to  
distribute an interim dividend, before with-  
holding tax under Italian laws, of Lire 60 per  
Ordinary Share and of Lire 60 per Saving Share  
against detachment of coupon n. 5 for Ordinary  
Shares and of coupon n. 3 for Saving Shares.The above dividend will be paid starting from  
December 16, 1987 and collectable at the  
company's main office in Milan via Pola 14 and  
at the following Financial Institutions:Banca Commerciale Italiana, Banca Nazionale  
dell'Agricoltura, Banca Nazionale del Lavoro,  
Banca Popolare di Bergamo, Banca Popolare di  
Milano, Banca Popolare di Novara, Banco di  
Napoli, Banco di Roma, Banco Lariano, Cassa di  
Risparmio delle Province Lombarde, Credito  
Commerciale, Credito Italiano, Credito  
Romagnolo, Credito Varesino, Istituto Bancario  
Italiano, Istituto Bancario San Paolo di Torino,  
Monte dei Paschi di Siena, Monte Titoli (for  
shares in their charge), Nuovo Banco  
Ambrosiano, Barclays Bank PLC.The prospectus on accounts, the reports by the  
Directors and by the Auditors are available for  
shareholders at the Company's main office.

The Board of Directors

**MONTEDISON GROUP****DAIEI  
THE DAIEI, INC.**Public Company with a capital of Yen 15,209,000,000.-  
Registered Office: 9,1 Toyota Cho - Suita City - OSAKA  
564 Japan

8.50 % conv. bonds 1980/1988

**GENERAL REDEMPTION**The holders of 8.50 % conv. bonds 1980/1988 of FRF 5,000 - are informed  
that all the outstanding securities will be called for general redemption as of  
29 February 1988 at par.The principal and interest will be payable at BANQUE NATIONALE DE  
PARIS - PARIS and at the offices of following establishments:BANQUE BRUXELLES LAMBERT S.A. - BRUSSELS  
BERLINER HANDELS- UND FRANKFURTER BANK - FRANKFURT  
THE TAIYO KOBEN BANK (LUXEMBOURG) S.A. - LUXEMBOURG  
TOKAI BANK NEDERLAND N.V. - AMSTERDAM  
THE SANWA BANK LIMITED (LONDON BRANCH) - LONDON  
FUJI BANK (SCHWEIZ) A.G. - ZURICH**INTERNATIONAL COMPANIES & FINANCE****Hellerup  
Bank taken  
over for  
DKr232m**

By Hilary Barnes in Copenhagen

**HELLERUP BANK**, which  
serves one of Copenhagen's  
wealthier suburbs, is being  
taken over by Andelsban-  
ken, a leading Danish com-  
mercial bank.Hellerup Bank, which has  
a balance sheet total of  
DKr38n (\$477.7m) and op-  
erates 18 branches in the  
north of the city, has been  
running at a loss. It has a  
subsidiary in the Isle of  
Man.The takeover will be made  
through an exchange of  
paper which puts a value of  
DKr232m on the deal.The extent of Hellerup's  
losses has not been spec-  
ified. In a joint announce-  
ment, the two banks stated  
that Hellerup would end the  
year "with substantial loss  
provisions and a poor  
result."The Bank Inspectorate  
has kept a close eye on Hel-  
lerup since the spring, when  
it became apparent there  
could be problems. The  
Inspectorate participated in  
the weekend negotiations  
at which the takeover was  
arranged.Two small Copenhagen  
banks failed earlier this  
year, and in spite of unof-  
ficial intervention from the  
Government the Danish  
banking community  
remained reluctant to come  
to the rescue.**BIL to acquire  
investment firm**

By John Wicks in Zurich

**BANK IN LIECHTENSTEIN  
(BIL)** is to acquire Trainer,  
Worthing, the New York-  
based investment counsel-  
ling firm.Representatives of the  
two groups declined in Zu-  
rich yesterday to give the  
price for the privately-  
owned firm.Proceeds, which will be  
partly in the form of partic-  
ipation certificates, were  
said by Mr Christian Nor-  
gren, BIL chairman, to be  
"very fair."Trainer, Worthing was  
formed in 1924 and is one of  
the oldest independent  
investment counselling  
firms in the US. It manages  
nearly \$1bn of client assets.BIL, controlled by the  
Prince of Liechtenstein  
Foundation, has tradition-  
ally specialised in portfolio  
management and has "several  
billion dollars" of man-  
aged assets.**Thyssen holds dividend  
despite drop in profits**

By HAIG SIMONIAN in Frankfurt

**THYSSEN**, West Germany's big-  
gest steel and engineering group,  
plans to pay an unchanged DM5  
a share dividend for the year  
ended September, in spite of a 17  
per cent fall in worldwide turn-  
over to DM26.5bn (\$16.3bn) from  
DM32bn last year.Revealing net group profits 18  
per cent lower at DM402m, Thy-  
ssen said special reserves had  
been set aside to cover rationalis-  
ation costs, especially in steel  
production.Last month, the group  
announced plans to merge its  
steel operations near Duisburg  
with those of fellow-producers  
Mannesmann and Krupp.Turnover in the steel division  
fell by 16 per cent to DM5.9bn.  
Thyssen said it was the only one  
of its divisions which lost money  
and that all its other divisionsincreased their profits.  
The group said earnings in the  
steel division had declined  
sharply due to lower produc-  
tion and reduced production.Income from profitable steel  
activities had not been enough to  
make up for the considerably  
higher losses in thick plate, wire  
rod and light sections, where fur-  
ther wide-ranging rationalisation  
would be necessary.The group gave no profit fig-  
ures for its separate divisions,  
but said turnover had been  
depressed by the rise in the  
value of the D-Mark against the  
dollar and by stagnant condi-  
tions in certain sectors.Sales in the investment and  
manufacture goods division fell  
13 per cent to DM 8.4m, while  
the trading house turnover  
dropped 23 per cent to DM12.4bnowing to reduced demand and  
prices. Nevertheless, profits had  
been "very satisfactory," it said.Thyssen's special steels divi-  
sion reported a 11 per cent drop  
in turnover to DM9.3bn.Thyssen Industrie, the group's  
principal engineering arm, said it  
had orders worth DM5.4bn at the  
end of September, while Budd,  
the US subsidiary, had per-  
formed "satisfactorily" on  
unchanged dollar turnover.Thyssen said it invested  
DM1.2bn in 1986-87 and would  
be ploughing in a further  
DM2.7bn in the next two years.The group added that it was  
confident about the present busi-  
ness year, but gave no forecasts  
other than that it intended to  
concentrate increasingly on  
promising manufacturing activi-  
ties and services.**OLAG to break even by 1989**

By JUDY DEMPSEY in Vienna

**OLAG**, the Austrian holding com-  
pany for state-run industries,  
expects to break even by 1989,  
according to Mr Hugo Michael  
Sekyra, managing director.Mr Sekyra said at the weekend  
that OLAG would claw its way  
out of the red over the next two  
years even though this would  
mean redundancies for the  
group's 90,000 workforce. His  
radical restructuring programme  
has already led to strikes and  
demonstrations.Acknowledging the difficulties  
ahead, Mr Sekyra said the next  
two years would be critical for  
the group. It will record losses ofbetween Sch8bn and Sch10bn  
(\$895.5m to \$989.5m) this year.  
Net losses amounted to more  
than Sch11bn last year.Mr Sekyra said he hoped OLAG  
would have a positive cash-flow  
next year, "but net results will  
be negative, somewhere around  
a deficit of Sch3bn to Sch4bn."  
Predictably, Voest-Alpine, the  
Austrian steel and heavy engi-  
neering company, continues to  
make one of the largest losses.Although Mr Sekyra has  
streamlined the company and  
plans to reduce the workforce,  
excess of Sch4.5bn for this yearalone. The troubled VEW steel  
company will also make large  
losses, of about Sch3.2bn.In spite of these gloomy fore-  
casts, Mr Sekyra, a technocrat at  
heart who wants to see higher  
productivity at lower costs, said  
OLAG would not be asking the  
Government for more subsidies.  
If the Sch8bn already available -  
which has to last until 1990 -  
was insufficient, OLAG would  
sell assets.Last month, OLAG sold a 15 per  
cent share of OEMV, the success-  
ful oil and mineral company, for  
about Sch3bn.**FINANCIAL TIMES CONFERENCES****CIVIL AVIATION IN THE PACIFIC BASIN**The Pacific Basin, civil aviation's fastest growing air transport arena, is the subject of the Financial Times conference to be held in  
Singapore on 25 and 26 January 1988. The rapid growth in the region is already imposing strains upon the airlines, airports and  
the aviation infrastructure overall. It will generate a massive demand for new aircraft and the money with which to buy them for  
many years to come. The aim of this 18 conference is to define these problems and indicate possible developments and solutions.  
Contributors to the debate include Dr Chuan Chuan Kong, Singapore Airlines, Mr Mitsumasa Kawano, Japan Air Lines, Mr  
Frederick Bradley, Jr, Senior Vice President of Chubbank N.A., Mr Michael Jones, Director of the Hongkong Bank Group, Mr Horst  
Fohlmann, Vice President of Pratt & Whitney and Mr Sydney Gilliland, Managing Director of British Aerospace. The conference  
has been timed to precede the Asian Aerospace '88 Exhibition, which will be held at Singapore Changi Airport, 27-31 January.**THE FT CITY SEMINAR**The Financial Times City Seminar has been very successful and 11, 12 & 15 February 1988 are the dates for the sixth briefing  
on the changing structure of the City of London. The agenda includes discussion of the major markets, players and developments  
in the business environment. An assessment of how the City will stand the storms of recent weeks will be included.Mr Win Ratsoff of Schroders returns to the platform as opening speaker and the other contributors on this occasion are  
Mr John Matthews of Country NatWest Ltd, Mr Robert Gray of N M Rothschild, Mrs Francesca Edwards of Morgan Guaranty  
Ltd, Mr John Atkins of Citibank, Mr David Saragat of Morgan Grenfell, Mr Peter Rawlings of R W Sarge and Mr George Nason  
of the Securities Association. Mr Marc Lee, Financial Times Conference Adviser, is to chair and the Rt Hon John Smith MP,  
Opposition Treasury Spokesman and Mr J A Donaldson, formerly of ICI, are two of the non-city speakers who will be addressing  
the seminar. This programme is particularly suitable for company training schemes and the Conference Organisation will be  
pleased to discuss book bookings.**CABLE TELEVISION AND SATELLITE BROADCASTING**The Financial Times study conference on Cable Television and Satellite Broadcasting, to be held in London on 17 and 18 February,  
brings together speakers from the main European Markets to review the future of the new media at a critical turning point in their  
development.The Rt Hon Lord Hailsham, CBE, MP is to give the opening address and will speak on creating a broadcasting structure for the next  
century. Mr Michael Checkland, Mr Anthony Stansfeld-Gooding, Mr Richard Dunn, M. Cyrille De Felice and Mr Jürgen Datz are  
among the distinguished panel of speakers who will review the changes that are taking place in the whole media scene.All enquiries should be addressed to:  
The Financial Times Conference Organisation,  
2nd Floor, 126 Jersey Street, London SW1Y 4UJ.  
Tel: 01-925 2323 (24-hour answering service)  
Telex: 27947 FT CONF G Fax: 01-925 2125**J.C. Penney Company, Inc.**has contributed the assets and liabilities of  
the Belgian branch of**Sarma-Penney Ltd.**

to a new company jointly owned with

**GB-Inno-BM S.A.**Morgan Guaranty, subsidiary of J. P. Morgan & Co.,  
initiated this transaction, assisted in the negotiations,  
and acted as financial advisor to  
J.C. Penney Company, Inc.**JPMorgan**

December 1987

**J.C. Penney Company, Inc.**

has sold

**Sarma S.A.**

to

**GB-Inno-BM S.A.**Morgan Guaranty, subsidiary of J. P. Morgan & Co.,  
initiated this transaction, assisted in the negotiations,  
and acted as financial advisor to  
J.C. Penney Company, Inc.**JPMorgan**

December 1987



## INTERNATIONAL COMPANIES

## Fletcher Challenge seeks NZFP meeting on Rada

BY DAI HAYWARD IN WELLINGTON

THE SHARES of Rada, the New Zealand investment company, which is the major shareholder in New Zealand Forest Products, have featured in several market moves this week.

Fletcher Challenge, which owns just under 20 per cent of NZFP, has served legal notice requesting NZFP to call an extraordinary shareholders' meeting to answer questions on transactions involving Rada's participation in Caspal.

Caspal is a joint venture company set up by Rada and NZFP to acquire 14.9 per cent of the Australian company North Broken Hill Holdings. Last week, NZFP bought Rada's stake in North Broken Hill.

Market observers believed the move was designed to provide cash reserves for Rada. However, Fletcher, which was blocked from obtaining a majority shareholding in NZFP by Rada, wants to know more about the deal. Fletcher Challenge says it wants to be sure the deal was fair to all and in the best interests of NZFP shareholders.

Mr Bob Gunn, chairman of NZFP - which in turn holds 25 per cent of Rada - was unhappy at the Fletcher Challenge move, saying the board would have wished for a more constructive

attitude from a major shareholder in the company. It was considering what further information it could provide to all shareholders.

Mr Gunn said the final price for Rada's holding was not yet finalised but it would be at least A\$3 per share. Rada bought the original stake in April last year from Industrial Equity and later shared the financing with NZFP.

Then yesterday, Sir Roderick Weir, chairman of Crown Corporation confirmed that the proposed sale of its 19.9 per cent holding in Rada, which was announced on October 1, appears to have fallen through as a result of the share market crash. The share brokers handling the sale appear unable to complete the transaction.

It was intended that the sale would be completed in January and the shares placed in Australia to help Rada with its original plans to list on the Australian stock exchange.

Following the crash, Rada announced the listing would not proceed. The sale of the Crown shareholding in Rada was to have been at 136 cents per share. Now they will go back to Crown and Sir Roderick says Crown's 1988 accounts will be revised to show the value of the shares at

92.5 cents each. The adjustment will amount to NZ\$25m (US\$16m).

Rada owns 49 per cent of Newmans Group, the NZ based international tour operator. Late last week, Newmans increased its stake in a successful local tour operator, Fullers Corporation to 74 per cent. Rada already holds another 42 per cent so between them they now control almost half of the Fuller operation.

At the end of last week Rada shares were selling at 37 cents - dropping 3 cents during the week. In September they were quoted at 136 cents.

Newmans shares dropped 25 cents during the week to 110 cents. In September they were quoted at 163 cents.

Wormald International, an Australian fire-protection and security concern with world wide operations, yesterday announced plans to sell many of its investments in Asia and New Zealand and for 48.8 per cent of Wormald to be acquired by Reil, an investment company that acquires holdings in industrial concerns. It is 10 per cent-owned by Babcock & Brown Holdings of the US.

Under the proposals, Reil will buy 22.8 per cent of Wormald from Sunshine Australia for A\$150m, payable by the end of 1992. Reil already owns 17 per cent of Wormald.

## Jordanian airline in profit

By Our Financial Staff

MR ALI GHANDOUR, the chairman of the Royal Jordanian Airline, said yesterday the state-run company expects a JD1.7m (\$4.96m) profit for 1987 and plans new routes soon to Miami and Montreal.

He said the profits came on expected revenues of JD122m. Final figures are generally released in June.

Passenger traffic increased by about 8 per cent over 1986, reaching 1.2m, with the largest growth - of 12 per cent - on the airline's flights to North America, where it serves New York, Chicago and Los Angeles.

Mr Ghandour said Royal Jordanian expected to start serving Miami by April, and Montreal at an as yet undisclosed time.

The airline, which changed its name from Alia at the start of 1987, is gradually selling shares to the public and its employees and has been reducing its debt by selling its aircraft and leasing them back.

Mr Ghandour said the airline gained from the declining dollar because all of its debt is denominated in the US currency. He also predicted that the new, lower air fare regime in Europe will increase passenger traffic enough to overcome reduced per-seat revenues.

## Alps Electric in German venture

ALPS ELECTRIC of Japan plans to produce electronic goods in Dortmund, West Germany, and will also set up a research and development centre there, reports our Financial Staff.

Alps' European distribution subsidiary, Alps Electronic Europe, said full-scale production was planned from mid-1989. Alps, which had sales last year of ¥302.22bn (\$2.35bn), already produces in South Korea, Taiwan, Brazil, the US and the UK.

## MORE RESULTS FROM A MULTINATIONAL LEADER IN M&amp;A



Imperial Chemical Industries PLC

has acquired

Stauffer Chemical Company

from an indirect wholly-owned subsidiary of

Unilever N.V.

The undersigned acted as financial advisor to Imperial Chemical Industries PLC in this transaction.

**Bankers Trust**  
New York Corporation  
U.S. \$300,000,000

**Floating Rate Subordinated Notes due 2000**  
For the three months 11th December, 1987 to 11th March, 1988 the Notes will carry an interest rate of 8 1/4% per annum and interest payable on the relevant interest payment date 11th March, 1988 will be U.S. \$206.96 per U.S. \$10,000 Note and U.S. \$5,174.05 per U.S. \$250,000 Note.

**Bankers Trust**  
Company, London  
Agent Bank

**NEDLIBA FINANCE B.V.**  
US\$25,000,000 Guaranteed  
Floating Rate Notes due 1993  
Guaranteed on a subordinated basis

**LIBRA BANK PLC**  
For the three months 14th December, 1987 to 14th March, 1988 the Notes will bear an interest rate of 8 1/4% per annum and the coupon amount per US\$100,000 will be US\$2,117.01.

**Province of Alberta**  
(Incorporated under the laws of Alberta, Canada)

**US \$500,000,000**  
Floating Rate Notes due 1993  
Notice is hereby given that the Rate of Interest has been fixed at 8.12788% and that interest will be payable on the relevant Interest Payment Date, 13th June 1988. In respect of US \$10,000 nominal amount of the Notes, the payment will be US\$419.94 and in respect of US \$250,000 nominal amount of the Notes, the payment will be US\$10,498.60.

**Canada Imperial Bank of Commerce**  
Agent Bank  
9th December, 1987

**CITY OF VIENNA**  
U.S. \$70,000,000  
Floating Rate Notes due 1992  
For the 3 months period 14th December, 1987 to 14th March, 1988 the Notes will bear the rate of interest at 8 1/4% per annum. US\$206.96 will be payable from 14th March, 1988 per US\$10,000 principal amount of Notes.

**Yamachi International (Europe) Limited**  
Agent Bank

**IRELAND**  
US\$300,000,000  
Floating Rate Notes Due June 1998  
In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from 14th December 1987 to 14th June 1988 the Notes will carry an interest rate of 8.06% per annum. Interest payable on 14th June 1988 will amount to US\$409.72 per US\$10,000 Note and US\$10,242.92 per US\$250,000 Note.

**Morgan Guaranty Trust Company of New York**  
London  
Agent Bank

All these Bonds have been sold. This announcement appears as a matter of record only  
NEW ISSUE  
December 1987

**NOKIA**

**NOKIA CORPORATION**

(Incorporated with limited liability in the Republic of Finland)

**5 1/2% Bonds 1987-1993**  
of Swiss Francs 100,000,000

**NORDFINANZ-BANK ZÜRICH**  
CLARIDEN BANK  
AMRO BANK UND FINANZ

Armand von Ernst & Cie AG  
Banco di Roma per la Svizzera  
Banque Indosuez  
Banque Morgan Grenfell  
en Suisse S.A.  
Caisse d'Epargne du Valais

**KREDIETBANK (SUISSE) S.A.**  
LLOYDS BANK Plc  
BANK CIAL (SCHWEIZ)  
Credit Industriel d'Alsace et de Lorraine AG -  
Fuji Bank (Schweiz) AG  
Gewerbank Baden  
Hypothesen- und Handelsbank  
Winterthur  
Maerki, Baumann & Co. AG  
Sparkasse Schwyz

Banque Bruxelles Lambert (Suisse) S.A.  
Morgan Guaranty (Switzerland) Ltd

Banque Scandinave en Suisse  
Swiss Cantobank (International)

**Avon Products, Inc.**

h a s a c q u i r e d

**Parfums Stern**

The undersigned acted as financial adviser to Avon Products, Inc. and assisted in the transaction.

**MICHEL DYENS**

Investment Bankers New York - Paris

November, 1987



## INTERNATIONAL CAPITAL MARKETS

## Stephen Fidler on reactions to bank capital adequacy proposals

## Sigh of relief from UK bankers

PROPOSALS to unify capital requirements for banks in the industrialised world - published last week by the Bank for International Settlements - have been greeted by bankers in the UK at least with a sigh of relief.

Banks in the 12 affected countries have six months now to discuss the plans, which require them to provide minimum capital equivalent to 8 per cent of their assets by 1992, with their supervisors. There were not too many surprises, however, since much of the way forward was presaged by the agreement last year to converge capital standards in the US and UK.

"This paper is a tremendous achievement," said Mr Peter Wood, Treasurer at Barclays Bank. "Any criticisms really are just nit-picking in a few areas."

Not surprisingly, however, the introduction of the new rules - which will bring off-balance sheet items fully into the capital net - is expected to have a significant impact on international financial markets.

According to Mr David Lomax, group economic adviser to National Westminster Bank, the central banks appear at first sight to have been successful in balancing the need for adequate capital standards and that of avoiding burdening banks with competitive disadvantages that would drive business to other financial intermediaries, such as securities firms.

The first effect - and one that may already be felt in the international markets - is the way the proposals will change the relative competitiveness of banks from various countries. The relaxed reaction of UK banks is at least partly due to the feeling that they will not need to boost capital significantly to comply with the requirements, which

cannot be said for many Japanese banks, for example.

Japanese bankers say that, since it was known that Japan would be required to meet the capital adequacy agreements, their institutions have been more cautious and less willing to lend at aggressively narrow margins to build assets.

PROPOSALS for subordinated debt contained in the Bank for International Settlements' new guidelines on banks' capital adequacy could bolster sections of the floating-rate note market, FRN specialists said yesterday.

The perpetual FRN market could be boosted by the statement in last Thursday's report that the policy of deducting all holdings of other banks' capital from the basic level of capital required of banks is not recommended by the BIS.

This policy had been adopted by the Bank of England, and investors' fears that other authorities might imitate it helped fuel a fall-out in prices of perpetual FRNs this time last year.

The bulk of the \$18bn perpetuals which had been issued, mostly by banks, are still held by Japanese financial institutions.

Meanwhile, the market for fixed-term subordinated issues may improve, given

While the impact of the proposals will obviously hit those more weakly capitalised Japanese institutions hardest, there has already been a general receding from the international

loans market, in which they have been important lenders. This has not yet fed through significantly into more generous pricing of medium-term loans, although the absence of the smaller Japanese banks as participants in syndicated financings can probably be expected to in the months to come.

Many Japanese banks will be the BIS' proposal that these instruments may be included in the supplementary elements of capital, up to 50 per cent of core capital.

Though the guidelines are not binding on central banks, FRN dealers are expecting them to lead to firmer prices in these sectors when trading resumes in the new year.

But for the moment, prices have not been affected by BIS recommendations. Dealers say this reflects the year-end quietness in the market.

In addition, the halting of trading operations by E.F. Hutton's London office, in anticipation of the merger with Shearson Lehman, has further cut liquidity in the floating-rate note market.

Dealers add that continuing concerns about the liquidity of perpetuals may mean this sector will benefit less than fixed-term subordinated issues. This is because many houses have pulled out of trading perpetuals this year.

developing internal strategies to deal with the new requirements and their reaction is likely to become clearer after the current financial year ends on March 31. There may also be an

increased pricing differentiation in the loans market between short-term deals which will not be affected by the new rules - and medium-term loans, which will.

There are other likely consequences. One concerns the 50 per cent weighting allotted to mortgage lending, which means that banks have only to provide half as much capital against their mortgage assets than against, say, their personal loan portfolio.

According to Mr Wood of Barclays, this could blunt the drive toward the securitisation of mortgage assets. While there would still be an incentive for banks to get mortgage assets off their books, that incentive would be greater for those assets carrying a greater weighting.

There is also concern about the impact on the proposals on the international interbank markets - and as a result the market in forward foreign exchange. Exposure to banks of another country with a maturity of greater than one year attracts a 100 per cent weighting, compared with 20 per cent for loans of less than a year.

This would be likely to lead to a significant widening of spreads on interbank deals of a maturity of more than one year, and since forward foreign exchange rates are governed by the interbank deposit market, a slightly-priced forward exchange market. This would be an additional burden on forward deals, which would also attract their own capital requirements.

However, bankers admit to some pleasant surprises. The capital requirements on foreign exchange and interest rate swap transactions are less onerous than many had been expecting. This should help prevent a major shift of the business away from the banks and towards securities houses, bankers said.

The bank said last week that the financial world of today, there is a distinct movement toward securitisation of debt. Or, putting it other words, toward negotiability of paper debt. The bank said last week that the financial world of today, there is a distinct movement toward securitisation of debt. Or, putting it other words, toward negotiability of paper debt.

## Merchant bank founded in Amsterdam

By Laura Rasmussen in Amsterdam

LONDON AMSTERDAM Merchant Bank, a small bank capitalised at Fl 114m (\$62m), has been founded by Dutch, French and Australian institutions with the aim of financing international trade through the use of bills of exchange.

The bank has its headquarters in Amsterdam. It is backed by OREBA, a rapidly growing Dutch insurance company, Alexander Leing and Craichbank, a London stockbroker owned by Credit Lyonnais, Spedley Holdings, an Australian merchant bank, and a money broker, and BT Insurance, an Australian company involved in insurance and financial services.

Of the Fl 60m paid up capital, 15 per cent was provided by OREBA, 20 per cent by Alexander Leing, and 10 per cent each by Spedley and BT Insurance. The remaining 45 per cent is held by other investors.

Legally established on October 22, the bank intends to discount bills of exchange, which are negotiable claims representing a supplier's credit. Discounting is to third parties provides a means of financing international trade and ties in closely with the factoring industry.

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## Quiet day's trading for all Eurobond sectors

BY CLARE PEARSON

ALL SECTORS of the Eurobond market saw very quiet trading yesterday as many traders have wound down operations ahead of the Christmas break.

One Eurodollar bond dealer said he had turned over only four or five tickets of an average size of \$500,000 during the day. At other times of year, his trading volume could range between \$30m and \$150m.

Price movements tracked those in the US Treasury bond market, although little actual trading took place. This meant bonds were marked down during the morning on concerns about the lower dollar and a rising gold price, but then firmed during the afternoon on a lower oil price.

Euroyen bond trading was similarly becalmed, although dealers saw limited, two-way retail business. Buying interest focused on the short end of the market, reflecting some investors' expectations of further currency gains but caution about the outlook for yen interest rates.

The Eurosterling bond market was also in a relaxed mood. One dealer said that as many as 10 out of about 18 active market-makers seemed to have stopped making prices to other professionals yesterday.

However, a host of UK economic statistics may trigger slightly higher trading volume in the market. Of particular importance will be tomorrow's public sector borrowing requirement figure for November, Thursday's November unemployment

ment number, and Friday's November money supply.

In the D-Mark domestic bond market, prices fell up to one percentage point, which dealers said reflected light profit-taking.

ROCKEFELLER CENTRAL Properties, the real estate investment trust, said yesterday it would be repurchasing in the market two convertible Eurobonds which it issued in August 1985 as part of the financing of the Rockefeller Centre in New York City.

Shearson Lehman Brothers International and Goldman Sachs International, the lead-manager of the bonds which originally raised \$500m, have been appointed as purchasing agents.

The \$35m 8 per cent issue is convertible at maturity into shares of the company at a rate of \$11.82 per share, while the zero-coupon convertible (with a redemption amount of \$50m) is convertible at maturity at \$17.71 per share. Both bonds mature in December 2000.

Last Friday Rockefeller Central Properties shares closed at \$17.71 per share.

since the bond came out in November. The average yield on domestic public bonds rose 6 basis points to 5.50 per cent.

Prices in the D-Mark Eurobond market drifted lower by up to 1/4 point at the longer end. But shorter dated bonds ended the day broadly unchanged - dealers said Far Eastern investors had shown some buying interest.

D-Mark Eurobonds for supranational borrowers were yielding about 20 basis points less than the largest straight bonds. This Federal Government bonds, which compares with around 10 basis points at the middle of last week. However, a benchmark 6 1/2 per cent World Bank issue was trading at 99.40 bid, compared with 99 1/4 on Friday.

The 10 1/2 per cent franc foreign bond market enjoyed fair turnover with prices ending the day slightly firmer.

A \$F400m 5 per cent 10-year bond for Providence of Alaska, the largest straight public bond yet, closed its second day's trading at 10 1/4, unchanged from Friday's close. At this level, it stands 1/4 points above its issue price.

A \$F70m five-year 4 1/4 per cent bond for Mitsubishi Mining and Cement closed its second day's trading at par, a level equivalent to its issue price and one point above its closing level on Friday.

A \$F100m issue launched last Friday for Nippon Salsan Kaisha, the Japanese fisheries concern, was quoted in the grey market at around 1 1/4 bid. The bond has the same terms as Mitsubishi Mining's issue.

## Avon forecasts higher profits

BY OUR FINANCIAL STAFF

AVON PRODUCTS, the US cosmetics and toiletries group, has forecast higher profits for 1987 than for 1986, providing for the consolidation of warehouses and branches and the establishment of a reserve for the re-evaluation of stocks and accounts receivable.

The results will include a 17 per cent increase in earnings before tax and a 17 per cent increase in earnings after tax. The company's earnings before tax for 1987 are expected to be \$170m, compared with \$145m for 1986. Earnings after tax are expected to be \$110m, compared with \$90m for 1986.

Of the charge, \$100m will cover the restructuring of its Foster health care division, providing for the consolidation of warehouses and branches and the establishment of a reserve for the re-evaluation of stocks and accounts receivable.

The other \$70m of the charge will be provided for a future connection of warehouses to five from 21. Inventories will be written down and it will reserve for doubtful receivables.

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wide beauty business and for withdrawal from some unprofitable or marginally profitable international beauty products markets.

Sales of its beauty group for 1987 will be up about 15 per cent, according to the company. The group accounts for about 80 per cent of Avon sales and 85 per cent of pre-tax profits from operations.

Sales of the health care group will be up about 13 per cent in 1987 and pre-tax profits will be about flat.

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

US DOLLAR	Issue	Yield	Price	Change
Alcoa 7 1/2 %	100	7 1/2	100.00	+0.05
Alcoa 8 %	100	8	100.00	+0.05
Alcoa 8 1/2 %	100	8 1/2	100.00	+0.05
Alcoa 9 %	100	9	100.00	+0.05
Alcoa 9 1/2 %	100	9 1/2	100.00	+0.05
Alcoa 10 %	100	10	100.00	+0.05
Alcoa 10 1/2 %	100	10 1/2	100.00	+0.05
Alcoa 11 %	100	11	100.00	+0.05
Alcoa 11 1/2 %	100	11 1/2	100.00	+0.05
Alcoa 12 %	100	12	100.00	+0.05
Alcoa 12 1/2 %	100	12 1/2	100.00	+0.05
Alcoa 13 %	100	13	100.00	+0.05
Alcoa 13 1/2 %	100	13 1/2	100.00	+0.05
Alcoa 14 %	100	14	100.00	+0.05
Alcoa 14 1/2 %	100	14 1/2	100.00	+0.05
Alcoa 15 %	100	15	100.00	+0.05
Alcoa 15 1/2 %	100	15 1/2	100.00	+0.05
Alcoa 16 %	100	16	100.00	+0.05
Alcoa 16 1/2 %	100	16 1/2	100.00	+0.05
Alcoa 17 %	100	17	100.00	+0.05
Alcoa 17 1/2 %	100	17 1/2	100.00	+0.05
Alcoa 18 %	100	18	100.00	+0.05
Alcoa 18 1/2 %	100	18 1/2	100.00	+0.05
Alcoa 19 %	100	19	100.00	+0.05
Alcoa 19 1/2 %	100	19 1/2	100.00	+0.05
Alcoa 20 %	100	20	100.00	+0.05
Alcoa 20 1/2 %	100	20 1/2	100.00	+0.05
Alcoa 21 %	100	21	100.00	+0.05
Alcoa 21 1/2 %	100	21 1/2	100.00	+0.05
Alcoa 22 %	100	22	100.00	+0.05
Alcoa 22 1/2 %	100	22 1/2	100.00	+0.05
Alcoa 23 %	100	23	100.00	+0.05
Alcoa 23 1/2 %	100	23 1/2	100.00	+0.05
Alcoa 24 %	100	24	100.00	+0.05
Alcoa 24 1/2 %	100	24 1/2	100.00	+0.05
Alcoa 25 %	100	25	100.00	+0.05
Alcoa 25 1/2 %	100	25 1/2	100.00	+0.05
Alcoa 26 %	100	26	100.00	+0.05
Alcoa 26 1/2 %	100	26 1/2	100.00	+0.05
Alcoa 27 %	100	27	100.00	+0.05
Alcoa 27 1/2 %	100	27 1/2	100.00	+0.05
Alcoa 28 %	100	28	100.00	+0.05
Alcoa 28 1/2 %	100	28 1/2	100.00	+0.05
Alcoa 29 %	100	29	100.00	+0.05
Alcoa 29 1/2 %	100	29 1/2	100.00	+0.05
Alcoa 30 %	100	30	100.00	+0.05
Alcoa 30 1/2 %	100	30 1/2	100.00	+0.05
Alcoa 31 %	100	31	100.00	+0.05
Alcoa 31 1/2 %	100	31 1/2	100.00	+0.05
Alcoa 32 %	100	32	100.00	+0.05
Alcoa 32 1/2 %	100	32 1/2	100.00	+0.05
Alcoa 33 %	100	33	100.00	+0.05
Alcoa 33 1/2 %	100	33 1/2	100.00	+0.05
Alcoa 34 %	100	34	100.00	+0.05
Alcoa 34 1/2 %	100	34 1/2	100.00	+0.05
Alcoa 35 %	100	35	100.00	+0.05
Alcoa 35 1/2 %	100	35 1/2	100.00	+0.05
Alcoa 36 %	100	36	100.00	+0.05
Alcoa 36 1/2 %	100	36 1/2	100.00	+0.05
Alcoa 37 %	100	37	100.00	+0.05
Alcoa 37 1/2 %	100	37 1/2	100.00	+0.05
Alcoa 38 %	100	38	100.00	+0.05
Alcoa 38 1/2 %	100	38 1/2	100.00	+0.05
Alcoa 39 %	100	39	100.00	+0.05
Alcoa 39 1/2 %	100	39 1/2	100.00	+0.05
Alcoa 40 %	100	40	100.00	+0.05
Alcoa 40 1/2 %	100	40 1/2	100.00	+0.05
Alcoa 41 %	100	41	100.00	+0.05
Alcoa 41 1/2 %	100	41 1/2	100.00	+0.05
Alcoa 42 %	100	42	100.00	+0.05
Alcoa 42 1/2 %	100	42 1/2	100.00	+0.05
Alcoa 43 %	100	43	100.00	+0.05
Alcoa 43 1/2 %	100	43 1/2	100.00	+0.05
Alcoa 44 %	100	44	100.00	+0.05
Alcoa 44 1/2 %	100	44 1/2	100.00	+0.05
Alcoa 45 %	100	45	100.00	+0.05
Alcoa 45 1/2 %	100	45 1/2	100.00	+0.05
Alcoa 46 %	100	46	100.00	+0.05
Alcoa 46 1/2 %	100	46 1/2	100.00	+0.05
Alcoa 47 %	100	47	100.00	+0.05
Alcoa 47 1/2 %	100	47 1/2	100.00	+0.05
Alcoa 48 %	100	48	100.00	+0.05
Alcoa 48 1/2 %	100	48 1/2	100.00	+0.05
Alcoa 49 %	100	49	100.00	+0.05
Alcoa 49 1/2 %	100	49 1/2	100.00	+0.05
Alcoa 50 %	100	50	100.00	+0.05
Alcoa 50 1/2 %	100	50 1/2	100.00	+0.05
Alcoa 51 %	100	51	100.00	+0.05
Alcoa 51 1/2 %	100	51 1/2	100.00	+0.05
Alcoa 52 %	100	52	100.00	+0.05
Alcoa 52 1/2 %	100	52 1/2	100.00	+0.05
Alcoa 53 %	100	53	100.00	+0.05
Alcoa 53 1/2 %	100	53 1/2	100.00	+0.05
Alcoa 54 %	100	54	100.00	+0.05
Alcoa 54 1/2 %	100	54 1/2	100.00	+0.05
Alcoa 55 %	100	55	100.00	+0.05
Alcoa 55 1/2 %	100	55 1/2	100.00	+0.05
Alcoa 56 %	100	56	100.00	+0.05
Alcoa 56 1/2 %	100	56 1/2	100.00	+0.05
Alcoa 57 %	100	57	100.00	+0.05
Alcoa 57 1/2 %	100	57 1/2	100.00	+0.05
Alcoa 58 %	100	58	100.00	+0.05
Alcoa 58 1/2 %	100	58 1/2	100.00	+0.05
Alcoa 59 %	100	59	100.00	+0.05
Alcoa 59 1/2 %	100	59 1/2	100.00	+0.05
Alcoa 60 %	100	60	100.00	+0.05
Alcoa 60 1/2 %	100	60 1/2	100.00	+0.05
Alcoa 61 %	100	61	100.00	+0.05
Alcoa 61 1/2 %	100	61 1/2	100.00	+0.05
Alcoa 62 %	100	62	100.00	+0.05
Alcoa 62 1/2 %	100	62 1/2	100.00	+0.05
Alcoa 63 %	100	63	100.00	+0.05
Alcoa 63 1/2 %	100	63 1/2	100.00	+0.05
Alcoa 64 %	100	64	100.00	+0.05
Alcoa 64 1/2 %	100	64 1/2	100.00	+0.05



# FINANCIAL TIMES SURVEY



**The need for more competitive procurement policies is inescapable as costs rise. Suppliers are having to collaborate or group together even more to ensure that they can meet more stringent government demands. David Buchan reports.**

## Trade flows changed

ONLY A WEEK ago, the two superpowers signed their first treaty to reduce their nuclear stockpiles. But, long overdue though this is, it will shave less than 5 per cent off the total size of US and Soviet nuclear arsenals, and will of itself make no measurable dent in East-West defence budgets.

Indeed, on the Western side it could lead to a slight increase in defence spending as Nato seeks to fill any gaps left in its flexible deterrent strategy by modernising its short-range nuclear weapons and, perhaps, put more resources into conventional defence.

It is hard to see Nato and the Warsaw Pact countries accounting in the foreseeable future for more than their current share of at least three quarters of world military spending of some \$900bn a year.

The Washington missile treaty will have even less effect on Third World countries, whose defence spending (20-25 per cent of the world total) is related to their regional security rather than the East-West power struggle.

Since the Gulf War between Iran and Iraq started in 1980, it has provided custom for no fewer than 27 arms-supplying countries. It has also stimulated a defensive build-up by other

Gulf states, the latest instance of which is Saudi Arabia's current quest for minehunting ships from Europe.

Economic problems, far more than arms control, are likely to depress defence budgets, particularly in the US where military spending had already levelled off before this October's stock market crash.

The exact shape of US budget cuts is still not clear, but defence has had to take its share of reductions. Among European members of Nato (who collectively recorded a 1.9 per cent real increase in defence spending in 1986, compared to 3.2 per cent in the US), the trend is a little different.

While next year's West German defence budget may fall slightly in real terms, the UK has reversed its earlier plan for defence cuts, and France is increasing military spending, particularly on nuclear programmes.

The past year has seen much talk of Europe doing more in its own defence, and there are a few tentative, budgetary signs that it is ready to put its money where its mouth is.

According to UK government estimates of new contracts signed, the volume of world arms exports has stayed fairly constant at just over \$40bn a

year, from the 1982 peak of more than \$50bn.

But trade flows have changed markedly. The industrialised countries, in both Nato and the Warsaw pact, are now trading more with each other as demand from the generally debt-ridden Third World has fallen away.

Within Nato the major change has been a relative opening up of the US market, the world's biggest. Sales by European members of Nato to the US reached a record \$2bn in 1986-87, up from \$1.1bn only two years earlier, and do not appear to have fallen back since.

The Reagan administration and the Congress, heavily influenced by Senator Sam Nunn,

chairman of the Senate Armed Services committee, have realised that substantial savings to the US defence research and development could be made either by joining in collaborative R & D or by buying certain finished products off the shelf from other countries.

Thus some \$70m a year is now devoted to the "side-by-side" comparative testing of foreign equipment (most of it from within Nato) with US equipment, and 10 transatlantic collaborative projects have been established in 1986-7 with US funding of about \$150m a year.

Most of these imports or collaborative projects are of relatively small importance to the

US services. But there are a few exceptions, such as the French Rita tactical radio system bought by the US Army in 1986, or the forward air defence gun contract just awarded to Martin Marietta with Oerlikon Buhler, its Swiss partner, or indeed the AV-8B Harrier co-developed and co-produced for the US Marines by McDonnell-Douglas, British Aerospace and Rolls-Royce.

In 1986-8 the UK overtook Canada as the US's largest single supplier, with sales of \$860m, and since the US has continued to prove a very good market for UK equipment suppliers, such as Ford, Smith Industries, GEC Avionics with its very successful head up displays for pilots and

air data buses, and Marconi which has won a joint contract with Rockwell to develop high-frequency anti-jam radios for the US Navy.

Not surprisingly, some protectionist pressures in the US have spilled over from the civil to the defence sector. Pickets recently protested against imports at a Washington DC defence exhibition.

There have been some, not very conclusive, moves on Capitol Hill to effectively exclude foreign companies from Strategic Defence Initiative (SDI) contracts.

And the Pentagon has itself lent a sympathetic ear to US component industries - semi-con-

ductors, ball bearings, precision optics - seeking government procurement preference against foreign competition.

But imports still amount to about 2 per cent of total US defence procurement, compared to 5 to 60 per cent in Europe. The US probably would find it hard to be protectionist against any ally with which it runs a defence trade surplus.

The only Nato ally with which the US has had a defence deficit is France, and even this may change in the short term with France's purchase of four expensive Boeing A-7s radar aircraft.

A second general feature of world defence trade is the growing number of capable Third World producers. Many developing countries can now supply their own needs in ammunition and small arms, while a few, like Brazil, Israel, China and India, have become exporters of armoured cars, tanks, heavy guns, and even aircraft, to other developing countries.

Brazil is a dramatic example. In less than 20 years it has developed an arms industry employing 100,000 people and producing \$3bn a year for its own needs and \$2bn worth of exports. Who, in the late 1960s, would have thought that this year would see a Brazilian tank, the Ascorito (with a British Vickers turret), competing and doing very well in trials in Saudi Arabia against the best US, French and UK models?

Another, temporary, feature is the preference that many countries are showing for updating older equipment such as Phantom or Mirage jets with new radar and avionics, as they await whatever the new era of the US Advanced Tactical Fighter, or the Anglo-German-Italian-Spanish Eurofighter, or the French Rafale brings in the 1990s.

General Dynamics is seeking to fill part of this interregnum with a new "half generation", the updated F-16, but in other "big ticket" aerospace products, there now seems to be a cyclical break, with few more export sales envisaged for the McDonnell-Douglas F-15, Dassault's Mirage 2000, or the Anglo-German-Italian Tornado.

The UK, which has displaced France from its long-held third place behind the two superpowers in the world arms export league, recorded overseas sales of \$5.9bn in 1986, of which \$3.2bn was from the Saudi contract. But there is a wider underlying improvement in UK defence

**Aerospace:** contracts income from updating aircraft  
**Warships:** building yards run short of orders  
**Profile:** Lord Trefgarne - tougher approach to procurement 2

**Electronics:** harder competition as ministry budgets tighten  
**Munitions:** collaboration a key factor in manufacturing  
**Communications:** satellites growing as a crucial link 4

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exports, which amounted to \$2.56bn in 1985 and are expected to exceed \$3bn this year, with diminished proceeds from the Saudi deal.

The main reason for this is the more competitive climate of domestic defence procurement, forcing UK companies to compete on price, quality and delivery on most contracts.

It was in the US, of course, that the gospel of competition was first preached and practised. Some 80 per cent of Pentagon contracts are now competed for or are follow-on orders subsequent to a competition.

Perhaps it has been overdone a bit recently. Do recent efforts to force competition even in the making of Trident missiles and submarines really make economic sense? But Europe's need for more competitive procurement is inescapable.

The French and British governments have said they intend to open up Europe's largest, but most self-centred, national procurement programmes to bidding from each other's industry. This plan is to complement longstanding collaboration on major weapon systems.

The Efa project and its rising cost estimates is giving some members of the Eurofighter consortium financial heartburn, particularly the West Germans. But none of the four participants believes a purely national aircraft is a viable alternative. That is why there is some disbelief that France can carry through its rival Rafale project on its own.

Equally, however, there is scepticism, particularly on the part of the UK, about the savings from collaboration if it is run by a multi-national bureaucracy on an uncompetitive basis. This is why one of the biggest Efa sub-contracts - for the radar - has been put out to competition.

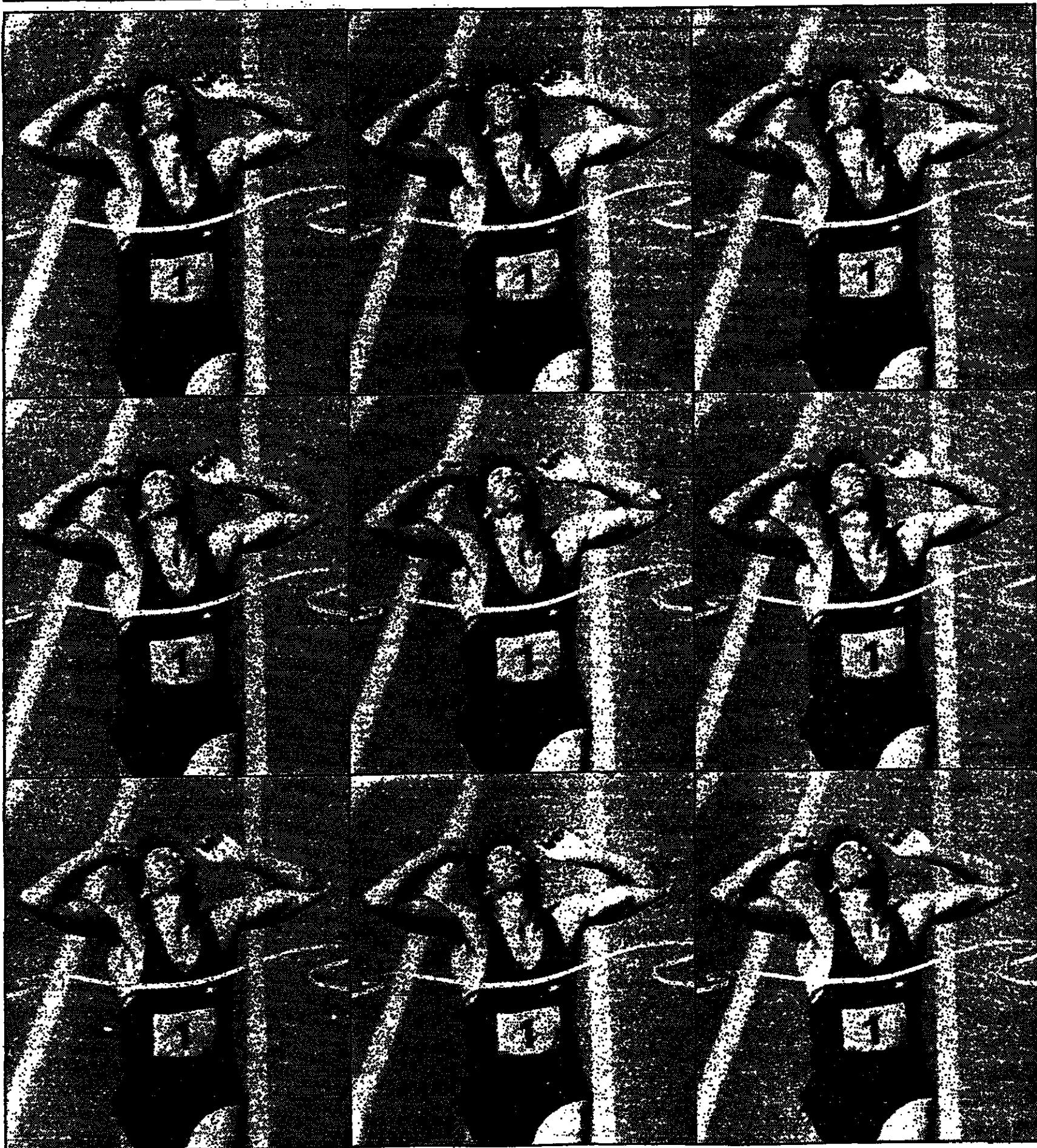
It is also why European governments have generally welcomed a report commissioned by their independent European Programme Group (IEPG), setting out the necessary steps towards the creation of a common arms market in Europe.

It calls for a central register of bidding opportunities, and for national registers of defence contractors to help companies pick foreign partners.

It also urges that more collaborative contracts be let on the basis of fixed price tenders by rival international consortia, on the Efa radar model.



## Defence Industries



Type 996 radar for all Royal Navy surface ships.

Watchman radar for all RAF airfields.

Multi Role System, based on Ptarmigan, for Australia, New Zealand, Greece and Oman.

Sonar system for the Trident submarine programme.

Surveillance radar for Rapier 2000 air defence system.

First fully automatic HF communications network in the world for the MoD Home Defence Radio System.

Project Raven tactical radio system for the Australian Army.

Electronic noise reduction system for Warrior armoured fighting vehicles.

Watchman radar systems for the Finnish Air Force.

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# DEFENCE INDUSTRIES 2

## Updating aircraft is providing a lot of work Timescale doubts

BATTLE LINES are being drawn for the military aircraft market of the 1990s and beyond, but not along totally traditional lines.

The consortium of the UK, West Germany, Italy and Spain seems to be moving the European Fighter Aircraft (Efa) shakily towards the start of full development and eventual production of some 800 aircraft for the four countries' air forces.

Similarly, the US is embarked on development of the new generation of "stealth" fighters and bombers for its own needs. Neither the US nor the Efa countries expect to export to each other.

But there is movement on the margins, and this time the margin includes France, which excludes itself from the Efa consortium two years ago. Its search for partners on its own Rafale fighter may lead, ironically, to industrial cooperation with the US as much as with the Efa consortium.

It is interesting, specifically, in an interim buy of updated McDonnell-Douglas F-16s for its naval carriers.

There is in fact now considerable activity in the updating of old or existing models. This ranges from retrofitting ageing aircraft like F-4 Phantoms and the older Mirages with the latest avionics, to developing new versions of current frontline aircraft such as F-16s and F-18s.

For such updates, there is a market in countries uncertain about the timescale and costs of the Efa-Rafale-Stealth generation of fighters.

General Dynamics is planning to update its F-16 to give that remarkably high-selling aircraft a fresh lease of commercial life. It has proposed to develop an advanced F-16 Agile Falcon for \$600m to be split between the US Air Force and whichever other countries buy it.

The main pitch is at the four European countries which have co-produced the basic F-16 model since the 1970s - Norway, Denmark, Belgium and the Netherlands. For the first time, the US government appears to be ready to share development on a major aircraft project with foreign countries.

However, General Dynamics is also the beneficiary of Japan's willingness to defuse US economic complaints by making concessions in the military field, and of US leverage over Israel. Tokyo decided this autumn that it would at least appear to buy something off the American shelf by choosing the F-16 design for its new FSX aircraft.

In practice, the US company will simply supply the design and engineering assistance, with most components and all avionics to be made in Japan.

Cancellation by Israel of its own Lavi fighter, financed largely by US money but at the US administration's displeasure, has opened the way for more F-16 sales.

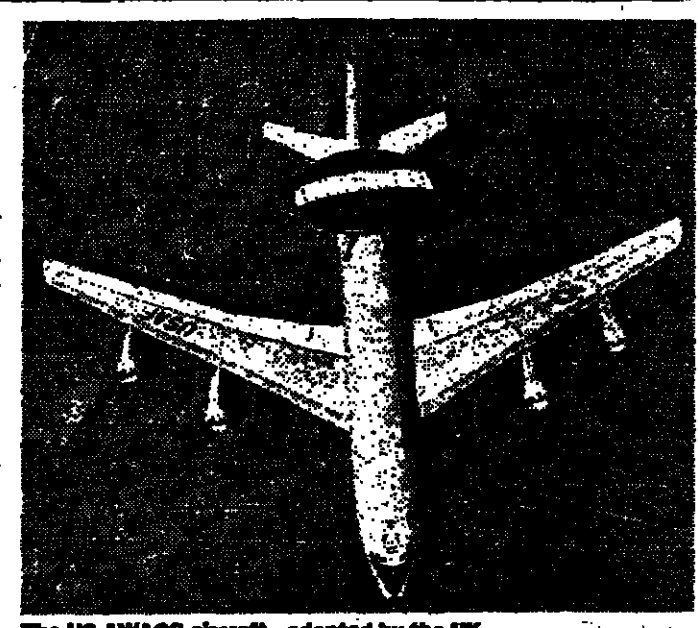
McDonnell-Douglas has also been dangling the advanced F-18 in front of the four-nation Efa consortium before it crosses the Rubicon and agrees to full development of the Eurofighter. Only one Efa country has been seriously tempted to take the F-18 bait.

Currently plagued by competing demands on its defence budget, such as the Franco-German helicopter project, the Bonn government, at Bundestag insistence, has weighed the undoubtedly somewhat cheaper alternative of "buying American" rather than "developing European".

One of the factors troubling the Germans is the doubling over the past two years of the estimate of their share of Efa development from DM4bn to more than DM7bn; the German one third share in Efa happens to be identical to that of the UK, which has never released any figures.

A particular problem for the Germans is the relative rigidity of their military funding schedules, which undergo far greater parliamentary scrutiny than elsewhere in Europe.

Thus they have less flexibility than their partners in dealing with heavy front-end financing, which has occurred in the Efa programme as a result of (largely British) government insistence that as much financial and technical risk be devolved, in the form of fixed price contracts, on



The US AWACS aircraft - adopted by the UK

to the main prime contractors.

These are the groupings of British Aerospace, MBB of Germany, Aeritalia, and Casa of Spain making up the Eurofighter consortium for the airframe, and of Rolls-Royce, MTU of Germany, Fiat Aviazione of Italy and General of Spain forming the Eurojet company responsible for the engine.

More of Efa work will be let on a competitive basis than was the case of the predecessor aircraft, the Anglo-German-Italian Tornado. The main competition is for the 51bn radar contract, for which two consortia are vying, one led by AEG of Germany with Hughes of the US as a partner and the other all-European and led by Ferranti of the UK.

There is a heavy political content to the contest. Bonn wants the Efa to have the same (Hughes) radar as its F-4 force, but US content or design carries the potential snag of the Efa being one day subject to US export controls.

The UK government probably has a preference for UK-led radar development, to redress the damage done to the image of British radar manufacture by cancellation of the 51bn Nimrod early warning radar programme and adoption of AWACS aircraft.

Whichever team wins the Efa radar contract will probably find itself approached by Thomson-CSF of France for cooperation, so that some savings can be made on Efa and Rafale through common radar components.

This is hardly surprising. The French aerospace industry has taken a dive, with Dassault this year laying off 2,000 workers and seeing profits tumble by 80 per cent after its failure to win any export orders.

This is in strong contrast to companies in some of the Efa consortium countries, which have been buoyed up by Tornado sales to Saudi Arabia. BAE of the UK, for instance, has seen military aircraft sales rise from \$1.18bn for the whole of 1986 to \$2.62bn in the first half of this year, and it has also succeeded in beating French competition in selling the Hawk to Switzerland as well as to the US Navy.

Dassault's slump has depressed

## Warships Yards short of orders

THE NAVIES of the world continue to be active despite the absence of full-scale naval confrontations, with several countries' navies patrolling on full alert in the Persian Gulf, as well as on station elsewhere.

Four navies, of the two Superpowers plus France and Britain, also carry nuclear deterrents, so the profile of naval building work is inevitably high in the ranks of defence industries.

The placing of naval work, in Britain and other parts of Europe, is politically sensitive.

Shipyards around the world are almost starved of orders, both commercial and naval; they are often sited in areas where traditional heavy steel industries have been down and where unemployment is high. Naval building work is one source of employment in the gift of governments.

Nevertheless, the cost of advanced naval vessels is so high that the volume of new orders is barely enough to keep many of the yards in business.

Even in the US, which has the world's largest navy and where shipbuilding in the past has been ordered in multiple quantities, shipyards have been forced to close, under pressure from the beleaguered US defence budget.

There is now no discernible pattern of shipbuilding orders in Europe or elsewhere. The orders for naval vessels, when they come, are sparse, and in Britain they come unevenly and are spread over a long period.

This reduces the possibilities of economies of production, but increases competition between shipyards.

The majority of British yards that build warships are back in the private sector after several years as part of the state-owned British Shipbuilders corporation.

Britain has eight yards which can take on naval work: Brooke Russell, Hall Russell, Harland and Wolff, Scott Lithgow, Swan Hunter, VSEL, Vosper Thornycroft and Yarrow.

Of these, only the last four are mainstream builders of the large warships required by the Royal Navy for competing in world markets.

All the yards, with the excep-

tion of VSEL, have been forced by declining demand to cut their workforces and accept new roles.

This involves the acceptance of very much slimmer down operations, with a willingness to seek any type of shipyard work and work that can capitalise on the skills of steel fabricators and electronic systems engineers.

One UK shipyard is building steel sections for the refurbishment of the Severn Bridge, as part of the process of diversification, now seen as essential if the companies owning the shipyards, rather than the shipyards themselves, are to survive.

Yarrow, on the Clyde in Glasgow, has taken the role as the UK's specialist builder of frigates for the Royal Navy and the MoD regards the company as the lead yard for these vessels.

Benefits go with this position. For example, the lead yard is the first to develop the skills needed to build a new vessel and hence has a lead over its rivals.

Vosper Thornycroft has earned the mantle of the UK's leading producer of glass-reinforced plastic (GRP) warships. These are mainly minehunters and Vosper Thornycroft is the lead yard for the Hunt class of GRP-hulled minehunters and sweepers.

In July, after competition with Yarrow, the company won the order for four of the new Sandown class of GRP single role minehunters, vessels that will hunt for mines but will not sweep.

Vosper Thornycroft is seeking to win a contract for eight minehunters from Saudi Arabia. It is likely to face competition from companies in Italy and a consortium of shipbuilders in France, Belgium and The Netherlands.

Intermarine of Italy is expected to propose its latest class of glass-reinforced plastic minehunters while the consortium in Europe is likely to offer its Tripartite vessel.

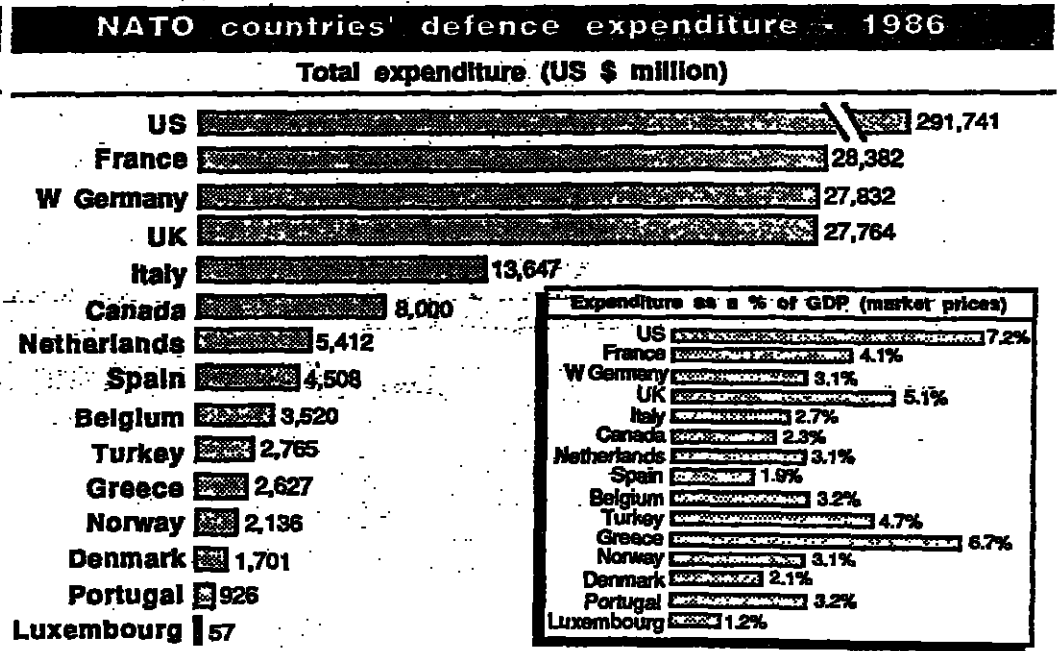
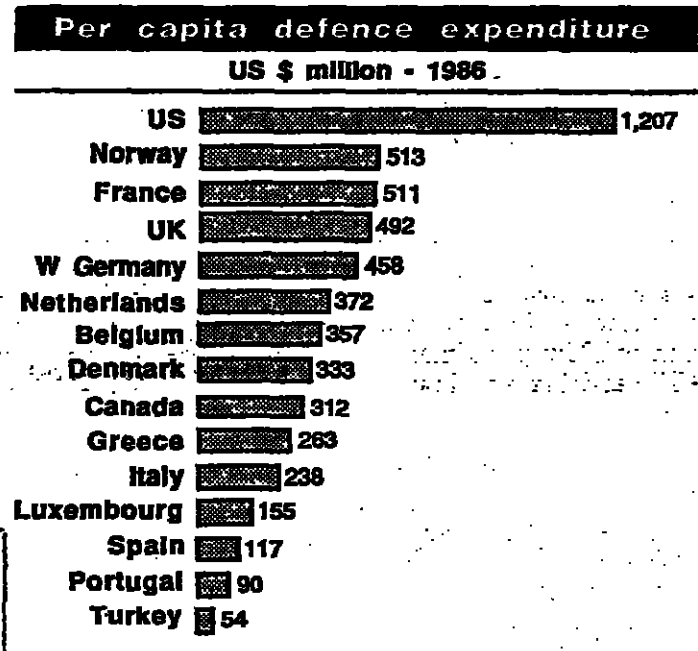
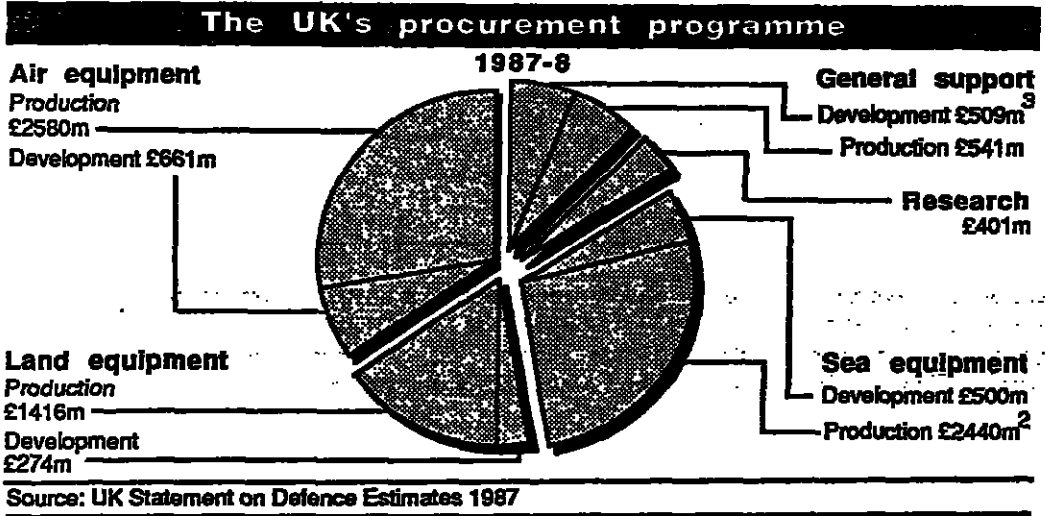
The Saudi contract could be worth between \$100m and \$300m. VSEL, formerly Vickers Shipbuilding and Engineering, at Barrow-in-Furness, with a total of 15,000 employees, including those at Cammell Laird, owned by the group at Birkenhead, and the Mersey, has the fewest problems.

It is also one of the UK's frigate and destroyer builders and seeks to balance its diet of mainly naval work with whatever commercial work it can get.

Harland and Wolff, the state-owned shipyard in Belfast, has largely opted out of naval work. The yard still builds what Dr John Parker, its chairman and chief executive, calls "quasi naval vessels".

Possible export prospects being sought by yards include frigates for the Royal Australian Navy; conventionally-powered diesel electric submarines for Saudi Arabia, although this requirement may have been overhauled by the Saudi interest in minehunters, frigates for Pakistan and nuclear-powered hunter killer submarines for Canada.

Lynton McLain



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## Profile: Lord Trefgarne

### Taking tougher approach

THE FACT that we now take a more competitive approach to our procurement has increased the commercial awareness and effectiveness of our defence contractors.

The proof of the pudding is in the eating. In that they now have to compete more successfully in world markets than they once did.

Thus, Lord Trefgarne, Britain's Minister for Defence Procurement, points, above all, to the record 1986 defence expenditure of nearly \$6bn as the best measure of the health of the UK defence industry.

He particularly underlines UK successes in the US where "you don't enjoy much more success competing effectively with good products, good prices and good deliveries."

Sharply improved UK defence exports, pushing France out of third place in the world league, stem from the more competitive climate in domestic procurement. "We now have many more firms bidding not only directly to the MoD itself, but also as subcontractors to main systems suppliers," Lord Trefgarne says.

In the first half of this year, some 500 small companies responded to the MoD's specific initiative to involve them in defence contracting, and 70 of these companies applied to join the ministry's list of approved prime contractors.

What new directions is UK procurement policy likely to take? "The most important task ahead of us now is to make sure that the classic procurement process, through feasibility study, project definition, full development, is refined to the point that we make it a more reliable process than in the past."

"We must avoid another case like the Airborne Early Warning (AEW) Nimrod where we had to cancel following the expenditure of such an enormous amount of money, around £1bn. We need a better 'early warning' system in procurement, also."

The area where the UK has fallen down in the past is in "assessing the technical risk of programmes," Lord Trefgarne says. "Greater reliance is now being put on the independent technical judgement of the MoD's chief scientific adviser and less on the self-interested assurances of contractors."

He has asked to see progress

## Profile: Lord Trefgarne

### Taking tougher approach

Third the MoD has had several offers of supply from small arms and ammunition makers. These may be taken up, the minister says, depending on the outcome of current negotiations for a multi-year deal with Royal Ordnance, the MoD's historic supplier, before being privatised.

More than 90 per cent of UK defence equipment is developed and manufactured within the UK, though often in collaboration with foreign partners.

The second priority is extension of competition. The areas into which we can extend competition have no limits, except those of the industrial base," the minister says. He notes that nuclear-powered submarines will continue to come from a single source (VSEL at the moment) and, even more obviously, nuclear warheads will stay a government monopoly.

The last option "would make a lot of sense" for reasons of compatibility with the existing UK tank force, but the foreign options are by no means excluded, the minister says.

Second, though torpedo manufacture in the UK in recent years has been the sole preserve of Marconi Underwater Systems (MUSL), Lord Trefgarne says competition in production, if not development, is now a possibility.

whose full development has already been forced by France and West Germany, is "critical" to the UK, too. But, the minister warns, "it is no good driving ahead until we have got all our ducks in a row" in the form of satisfactory contractual terms.

For the moment, Britain and France have not joined six other

Will this tougher approach by the UK alienate its partners? Lord Trefgarne thinks not. In the short term "we will be told we are not being sufficiently collaborative," he says, but they will thank us in the end."

David Buchan

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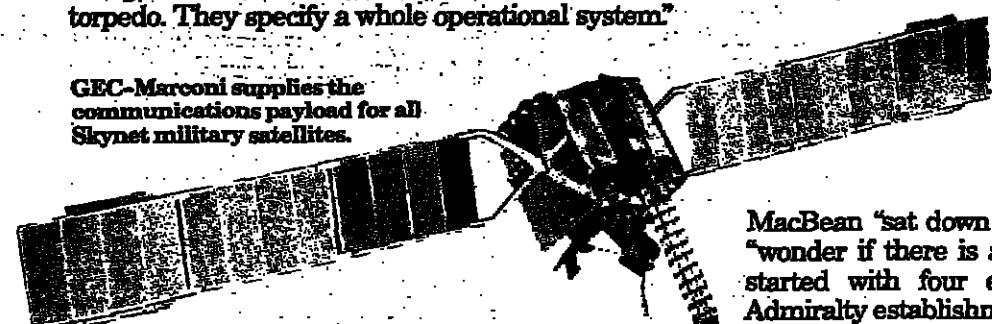
# The Defending Champion

**I**an MacBean's new company began life with £2 billion of sales, some of Britain's top technology and world trade, which as he tells **Robert Heller** includes U.K. exports that boomed to £600 million – from “almost zero.”

**N**OT often is a new company born with £2 billion of sales, “as near as makes no difference.” The words come from Ian MacBean, who recently put the finishing touches on GEC-Marconi – a reorganised giant which brings nearly all the General Electric Company's defence business into one group that is crammed with some of Britain's most advanced technology. Four-fifths of the new grouping's sales are defence-related. Half of the UK output now goes into a world market where, in the mid-seventies, GEC's presence, says GEC-Marconi's managing director, was negligible.

Dr MacBean, now 55, has been working in GEC, and in defence, for the past 30 years, all of them based at Stanmore: “either I'm very lucky or I'm stuck in the mud.” Those three decades, though, have seen prodigious upheaval, both in the defence market and in GEC's defence business. The two changes are closely related. Today the customers – whether they are the Ministry of Defence, the Pentagon or another foreign Government – “don't ask for a radar or a torpedo. They specify a whole operational system.”

GEC-Marconi supplies the communications payload for all Skynet military satellites.



MacBean says that his own job “with my very small staff is to see that the customer's requirements are met” by coordinating his sixteen operating companies:

**“From the seabed to 22,000 miles above the earth.”**

each, in classic GEC fashion, a separate business with its “own set-up and managing director,” responsible for all functions – financial control, marketing, research and development, the lot. The business, as MacBean says, “has always been based on having the best technology available.” That's now costing around £450 million a year; 80% of that is provided by the customer, “a very substantial help,” as MacBean drily observes – but a good deal less substantial than the 95% of the past.

“Long-term that will not impact profits if we produce good products that sell.” In other words, the similarities between GEC's defence business and its civil work have greatly increased – indeed, “we are concentrating on expanding civil sales” (currently some 20% of the business). The “technology which defence gives us” is by definition in the scientific vanguard, and MacBean's company will either use it “where we know the markets or supply it to other parts of GEC.”

**D**ESPITE MacBean's involvement in defence ever since starting his career at Stanmore (as a development engineer in microwave systems), his first major step in 1964 was a move towards civil work. He was asked to set up GEC's first entry into satellite communications; as a divisional manager with a staff of one – himself.

MacBean helped build the business from “the ground floor up” towards the stars. The company



Dr. MacBean, Managing Director of GEC-Marconi Limited.

Photography by Terry O'Neill.

built all the equipment for Britain's first satellite ground station at Goonhilly in what became an “on-going and fairly flourishing business. But it never quite took off the way our early pipe-dreams imagined.”

That is an occupational hazard of high technology, and MacBean has had plenty of consolations – as in the remarkable tale of “one of my first loves.” In 1969, GEC had only a trivial involvement with torpedoes – indeed, “there wasn't a UK torpedo industry.”

GEC was doing “very low-level experimental work” at Stanmore. But with the government's programme in grave and obvious difficulties, MacBean “sat down with my boss” and started to “wonder if there is a business in torpedoes.” What started with four engineers going down to the Admiralty establishment in Portland had become by 1982 (“after many gyrations, much hassle”) a business turning over some £200 million.

**G**EC-Marconi is now Britain's main supplier of torpedoes. MacBean has a particular reason for citing its Stingray programme. At the end of the Seventies, Stingray was not making progress, and “we were impotent to do anything about it.” The management sat down with the Navy and after prolonged negotiation arrived at “a firm agreement, management control and a fixed price.” The result was a weapon “highly satisfactory in operation” and “one of the most successful procurement programmes ever undertaken.”

MacBean sums up: “we did a sound job and made reasonable money” – even though in 1978 Stingray was “in a similar position to Nimrod. It was late, over-cost and beset with technical difficulties.”

MacBean's analogy with the torpedo saga is self-evident: GEC should have insisted on taking full charge of Nimrod in the same way. In future, “the large programme in which our degree of management control is very limited will not be repeated. We won't go willingly down that path.”

That vital lesson apart, Nimrod is “no longer an issue as far as we are concerned. It is a thing of the past. We are pursuing the remainder of the business in a very successful way.” In this pursuit, MacBean concentrates on looking after the management and motivation: “My job is to give maximum freedom,

but hopefully to guide the whole thing.” Although MacBean is a technologist, and “defence is as near to technology-push business as GEC gets,” his involvement is far less with the technology (which has left him “far behind,” despite his PhD) than with the new business opportunities – for main example, abroad.

**“The biggest supplier of HUD's in the world.”**

In working up from the “almost zero exports” of 1975, “we've had to learn how to market on a world-wide basis.” There is clear evidence that the learning has been effective from the United States, where GEC has used every available route to become one of the top 100 suppliers to the Department of Defence. That adds up to \$200 million a year and to a very

positive achievement, given the inherent difficulties such as the power of immensely strong local defence manufacturers. One solution to the problem of beating 'em, however, is to join 'em, hence the recent purchase of defence interests from Lear Siegler in the US.

**G**EC-Marconi can also crack this literally well-defended market by unique excellence of product, as in HUD – the “head-up displays” which project flight information in front of a fighter pilot's vision. MacBean's company is “the biggest supplier of HUDs in the world.” Avionics is a business where technology is often common for both military and civil applications, though in most cases technology transfer from war to peace is notoriously “not easy to do.” To achieve it involves manipulating something MacBean much admires – “the GEC style of autonomous operating companies.” Today, he sees “much greater determination” among his fellow managing directors to turn the mutual autonomy into a strength by exploiting technology transfer.

MacBean, of course, has to keep technology transfer flowing within his own operating companies: the new GEC-Marconi structure is designed to take full advantage of their combined strengths more effectively than in the past.

“We'd reached a watershed”: GEC defence businesses that were “very, very successful in their own right” had to “spend a lot of time fighting people who were much bigger. To tackle world markets and fight on, we had to be on equal terms with major competitors.”

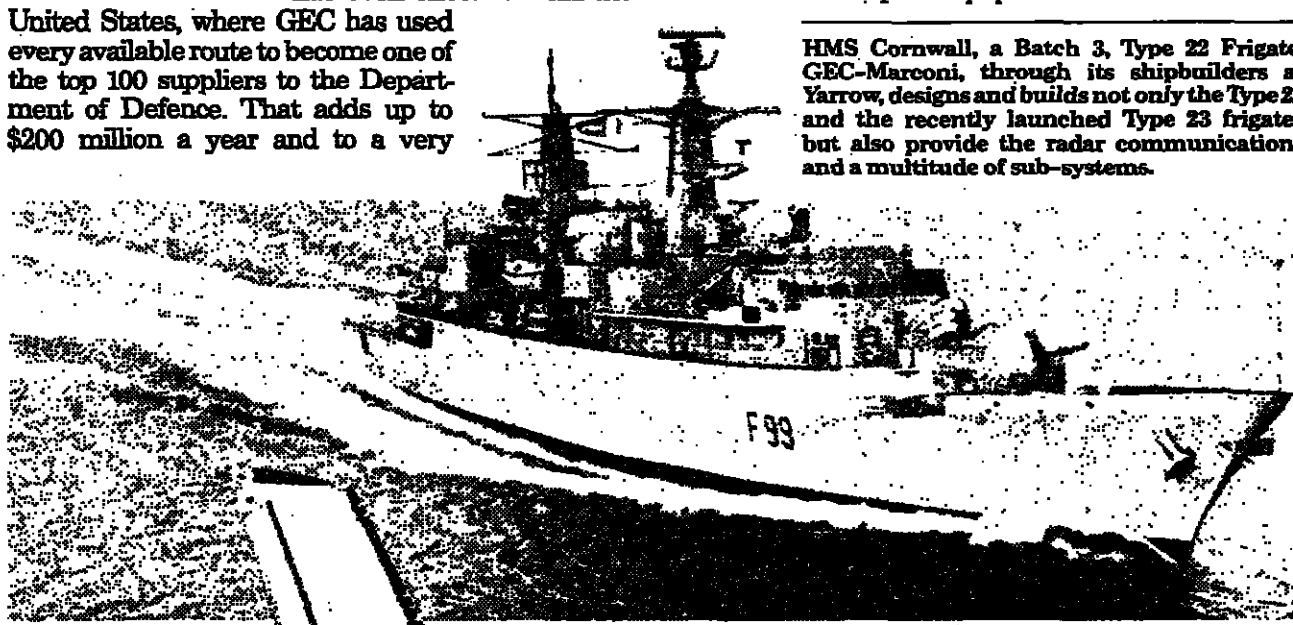
Since he took over his current job 18 months ago, MacBean has therefore been working “to turn the whole thing into a coherent group.” The overriding idea is “to maximise total capability: to bring together individual units to be in a position to take on major projects as prime contractor” in one of the world's most competitively challenging businesses.

**“The business has always been based on having the best technology available.”**

The challenge can be measured in jobs as well as with money. If a business grows by “under 15% per annum compound, it will have to shed people.” Heavy investment in automation is mandatory: “the sole aim is to manufacture at a low enough cost so that we can sell competitively.” MacBean's own bosses at Stanhope Gate accept the necessities: “I can't remember anybody ever saying, no you can't invest in new capital equipment. That is so wide of

the mark as to be ludicrous.” The remit from Lord Weinstock, as MacBean himself describes it, suits him fine: “There's your business, you're the managing director, please perform and run the business as you think best. I will not interfere so long as it is successful; or unless I have something positive to suggest.”

**H**MS Cornwall, a Batch 3, Type 22 Frigate. GEC-Marconi, through its shipbuilders at Yarrow, designs and builds not only the Type 22 and the recently launched Type 23 frigates but also provides the radar communications and a multitude of sub-systems.



GEC-Marconi fits the Tornado with Skyshadow, Electronic Support Measures, Skyflash missile guidance, the Foxhunter radar and 15 other systems.

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**“Half of the UK output now goes into a world market.”**

**T**HAT leaves MacBean in control of activities which cover a most extraordinary range, both in technologies (from the heaviest engineering hardware, building the hull of a destroyer at Yarrow, to the most sophisticated software controlling defence systems) and in all environments (from the sea-bed to 22,000 miles above the earth). MacBean is very clear about what his new set-up will create from this extreme diversity: “customer and public perception of how powerful GEC-Marconi is, and what potential it has – especially round the world.”

Robert Heller is Editor-in-Chief of Finance Magazine.

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## DEFENCE INDUSTRIES 4

A slowdown in defence spending has brought forecasts of difficult times, says David Thomas

## Competition intensifies in electronics

THE PAST YEAR has not been one of the happiest for the electronics sector, which is used to being regarded as the most glamorous and high-growth part of the defence equipment industry. In many major countries, such as the US and UK, companies are faced with intensifying competition just as the prospects emerge of a slowdown in the heavy rate of growth in military budgets they enjoyed in the early and mid-1980s.

Simultaneously, the industry has had to cope with cutbacks in defence spending by key developing countries, such as those in the Middle East. The result has been forecasts from some quarters of dire times ahead for defence electronics contractors.

Scrimgeour Vickers, the UK brokers, warned in a report in May that the British government's policies were putting thousands of jobs at risk in the supplying industries. Export orders might stall off trouble in some defence sectors, but not in electronics, the report concluded, because "for the electronics industry there are no such mega-deals likely."

Others are not so pessimistic. In a forecast prepared last year, the Electronic Industries Association of the US concluded that any softness in total spend would be offset by the continuing increase in the share of the total accounted for by electronics sales.

Thomson, the company which dominates defence electronics in France, is prime contractor for the submarines the French are bidding to sell to Saudi Arabia - an index of the importance of electronic systems in such major pieces of equipment. Justifying its conclusion, the US trade association referred to "the consensus expectation that defence electronics will occupy a central and increasingly pivotal role in modifying, improving and enhancing the performance and survivability of all our platforms and their associated offensive and defensive weapons systems."

The move towards bigger computers and processors for battle management and artificial intelligence, improvements in lasers, infra red equipment, fibre optics and electro-optics for surveillance, target location and communications; the search for ever more sophisticated electronic intelligence-gathering equipment - these are among the trends which would keep defence electronics companies in orders into the 1990s, the association concluded.

To judge by the almost weekly announcements of orders from defence ministries around the world, there are still plenty of contracts to be fought over. And

specialist defence electronics companies are not alone in benefiting from this largesse.

In Britain this year, for instance, British Telecom clinched its largest ever military deal with a £150m project to manage the modernisation of the Royal Air Force's fixed telecommunications network.

Yet the climate appears generally colder to many defence electronics companies than in the heady days of a few years ago.

**To judge by the almost weekly announcements of orders from defence ministries there are still plenty of contracts to be fought over**

This has prompted increased interest in cross-border collaboration to spread spiralling development costs, especially among the countries of Western Europe. A problem with the idea of more partnerships, however, is the varying structure of the industry across Europe. While the business is dominated in France by Thomson, with Dassault as a minor player, and while AEG and Siemens rule the roost in West Germany, the industry in Britain is fragmented.

True, the General Electric Company is the clear leader, but Plessey, Racal, Ferranti and

Thorn EMI all do substantial defence electronics business.

Moreover, a chance to rationalise the UK industry was missed last year when the Government vetoed GEC's bid for Plessey precisely on the ground that the Ministry of Defence would have fewer competing suppliers, particularly in key areas of defence electronics.

The British industry has had to cope with more than just a dip in business from the Ministry of

Defence. The R and D spend, the defence White Paper in May explained that the Government was aiming to release more government cash to support the civil sector and exports.

This prompted the UK Electronic Engineering Association to a detailed defence of military R and D spending, which argued that defence companies' own spending on R and D is not out-of-line with other sectors of the economy and that the benefits of a sustained R and D budget are seen in the high levels of military exports from the UK.

Nevertheless, ministers seem set on significant cuts in their contribution over the next two to three years as defence R and D becomes more competitive.

The move to widespread competitive tendering has ushered in even bigger change for the UK defence electronics industry, forcing some companies which had grown to regard a particular area of business as their own property to have to fight for it.

For example, a question mark has hung all year over the bid for the new computerised command network for the Royal Navy's Type 23 frigate by Ferranti, which has had a virtual monopoly of shipboard computing systems for the Navy for many years.

Responding to a widespread feeling that defence was pre-

empting too much of the R and D spend, the defence White

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## Munitions

## Collaboration a key factor

THE DEVELOPMENT and production of munitions, missiles and military equipment provides an enormous amount of work for the defence industries of the Nato countries.

This equipment is fundamental for the functioning of contemporary armed forces. Service chiefs recognise that conventional munitions will be needed for the foreseeable future, since the weight of metal that can be thrown at an enemy from conventional guns remains a telling measure of armed strength.

This is despite advances in technology that bring weapons with electronic intelligence to the battlefield.

Such advanced weapons include the most complex versions of the multiple launch rocket system, MLRS, in service with the US Army and to be bought by the UK, France and West Germany.

Earlier this year, the US Army finished its initial deployment of MLRS fire units, made by the LTV corporation. The basic MLRS rocket system is being developed to provide a variety of terminally guided sub-munitions, small bomblets that are dispersed after firing by the basic rocket over, for example, an enemy tank formation.

The terminally guided sub-munitions then seek individual targets and fire down to explode on a tank's vulnerable top.

MLRS is designed to provide saturation bombardment of a battlefield with each rocket able to deliver 64 separate munitions over 30km. It is likely to displace some conventional heavy artillery.

Production and procurement of MLRS is going ahead for deployment in the late 1980s and early 1990s.

Dynastik Nobel in West Germany has developed an anti-tank munition for the German Army's light artillery rocket system and mine scattering system. This reflects the way in which the basic MLRS rocket system can be adapted to meet the needs of individual customer nations.

In the US, Aerojet and Honeywell are competing to develop a sophisticated "search and destroy" version of the basic MLRS rocket. A four-year development programme is expected to start shortly.

The member countries of Nato have yet to find a way of harmonising their requirements for conventional munitions such as shells and, to a lesser extent, bullets. Nato has adopted, as its standard, ammunition of 5.62mm calibre, but there is no Nato-wide production and procurement programme.

Most Nato countries generally retain their own munitions factories, despite the benefits that could come from greater harmonisation. Few attempts have been made to seek greater collaboration in these conventional munitions, possibly because the level of complexity, and hence cost, is low.

In more complex systems, an unusual and successful example of collaboration in international arms procurement was announced in November, when Canada, a subsidiary of Bombardier, the Canadian corporation, signed contracts with the governments of West Germany, France and Canada for the manufacture of airborne surveillance systems.

The contract is important for Canada; at \$410m Canadian it is the largest export order in the company's history. It is also one of the largest defence export.

orders ever won by a Canadian company.

Three quarters of the cost of development and pre-production was covered by the West German government and 25 per cent by the Canadian government. The French government contracted development directly with Societe Anonyme de Telecommunications de France to provide the optical electronics.

Under the contract, Canada is to manufacture a number of CL-289 systems for delivery to West German and French forces. The system is the first corporate system of its kind and comprises a pre-programmed and reusable unmanned drone which carries photographic and infrared line-scan sensors. It has been developed, in part, to replace humans with machines, because of personnel shortages in armed forces.

Canada is the prime contractor and systems manager for the

CL-289, and Dornier of West Germany is the principal subcontractor.

The complexity of this system and a perceived common requirement and the need to share development costs led to collaboration. There have been other examples of international collaboration in the defence field, but generally for larger projects.

These include such established large-scale projects as the Anglo-German-Italian Tornado fighter bomber, but there are fewer examples of smaller scale projects involving international collaboration.

In Europe, West German and British companies are collaborating on the possible future production of the US Amraam, advanced medium-range air-to-air missile, in Europe. In September, a joint company was formed between British Aerospace and Marconi Defence Systems from the UK and Messerschmitt-Bölkow-Blohm and AEG of West Germany, to compete for the European manufacture and support of the Amraam.

A report on military aircraft and missiles from Frost & Sullivan, market research consultants, earlier this year, showed that there is a "temporary lull" in the production of jet fighter aircraft.

This will skew the market from its present shape, whereas fighters represent almost a third of the present market output by value, and missiles just over a fifth, by 1991, the missiles will be approaching a third of the market and fighters will descend to a quarter. (In 1986, \$5.1bn in fighters and \$3.5bn in missiles were produced in Europe).

Frost & Sullivan expect 35,000 missiles to be produced each year between 1987 and 1991. The Milan surface-to-air missile, the HOT anti-tank missile and the Franco-German collaboration through EuroMissile, will top production in unit numbers.

The French Aerospatiale Exocet anti-ship missile is expected to come second to the Roland missile in value in the period 1987-91.

Lynton McLain

## Communications

## Satellites growing as crucial military link

INTELLIGENCE gathering and communications equipment represents one of the largest, but most hidden, areas of defence spending.

The scale of the sector is difficult to measure partly because its boundaries are not easy to define.

The sector embraces voice and data communications equipment and management information systems for the armed forces, as well as detection and tracking equipment, and also spending on the sensor equipment which provides data for commanders and service chiefs to analyse a developing battlefield.

Satellites are growing in importance as a crucial link in military communications. The associated equipment for the transmission and receipt of signals intelligence via satellites is also an increasingly central feature of capital defence equipment such as warships and aircraft, as well as for use by land-based headquarters.

The growing complexity of the intelligence and communications sector is illustrated by the development of artificial intelligence systems and so-called knowledge-based systems.

Systems designers, one of the UK's major systems and computer software houses, with operations in the US and Europe and a turnover of over \$50m, has a capability in several artificial intelligence and "expert systems."

The company's SAGE system has been developed to enable human expert knowledge to be stored for use interactively by operators.

The company also has developed demonstrator projects using artificial intelligence, which is expected to have its main uses in military applications, especially where the mushrooming com-

plexity and diversity of information from growing numbers of sensors is steadily eroding the ability of the human military mind, unaided, to cope.

Several large-scale modernisation programmes in the field of military command, communications and information systems (CCIS) have been put in hand in recent years.

One of the largest in the UK has been the decision to modernise the command and communications system for the Royal Air Force and other air forces operating in and around the UK. This is the United Kingdom Air Forces command, control and information system, UKAIR CCIS, for short.

Other recent investment in communications systems includes the upgrading of the United Kingdom Air Defence Ground Environment systems, UKADGE. This is a programme to install modern, mobile radar sets and communications and information-processing equipment at RAF stations around the country.

UKADGE is on the way to be complete and is expected to be fully operational in about 1990. The aim is to provide the Royal Air Force with essential modernisation to give the UK's air defence system a real-time picture of aircraft movements in the UK air defence region.

UKADGE, including aircraft associated with the air defence of the UK, is expected to cost more than \$50m by the time it is operational. It will integrate with the RAF's squadrons of Tornado interceptors and Boeing E-3A

Awacs airborne early warning aircraft.

The radar equipment and data processing and communications links at the heart of the improved United Kingdom Air Defence Ground Environment system is likely to have cost more than \$400m by the 1990s.

This followed the initial \$100m contract awarded by the Ministry of Defence to UKADGE Systems, a consortium of Hughes Aircraft, Marconi and Plessey, each with a third share.

The Marconi Radar Martello S723 mobile radar is one of the detectors used in UKADGE. The radar can "see" in three dimensions. Other radars operating in three-dimensions in the improved UKADGE system include the General Electric GE592 radars and AR320 radars developed jointly by Plessey Radar and IIT-Guilford of the US.

Frost & Sullivan, US market research analysts, forecast that communications equipment will account for a relatively small, but growing, proportion of the total spending on electronic warfare components, crucial to so many electronic defence systems, by 1991.

The communications sector accounted for \$655.1m of the \$2,984.2m spent on microwave systems procurement and research in 1986. This compares with a forecast by Frost & Sullivan of \$809.8m likely to be spent on microwave systems for communications equipment in 1990.

Many of the companies in the microwave components sector are small and many are under pressure from electronic warfare systems manufacturers for higher volumes and rapid production of components, the market research company says in a recent report.

Lynton McLain

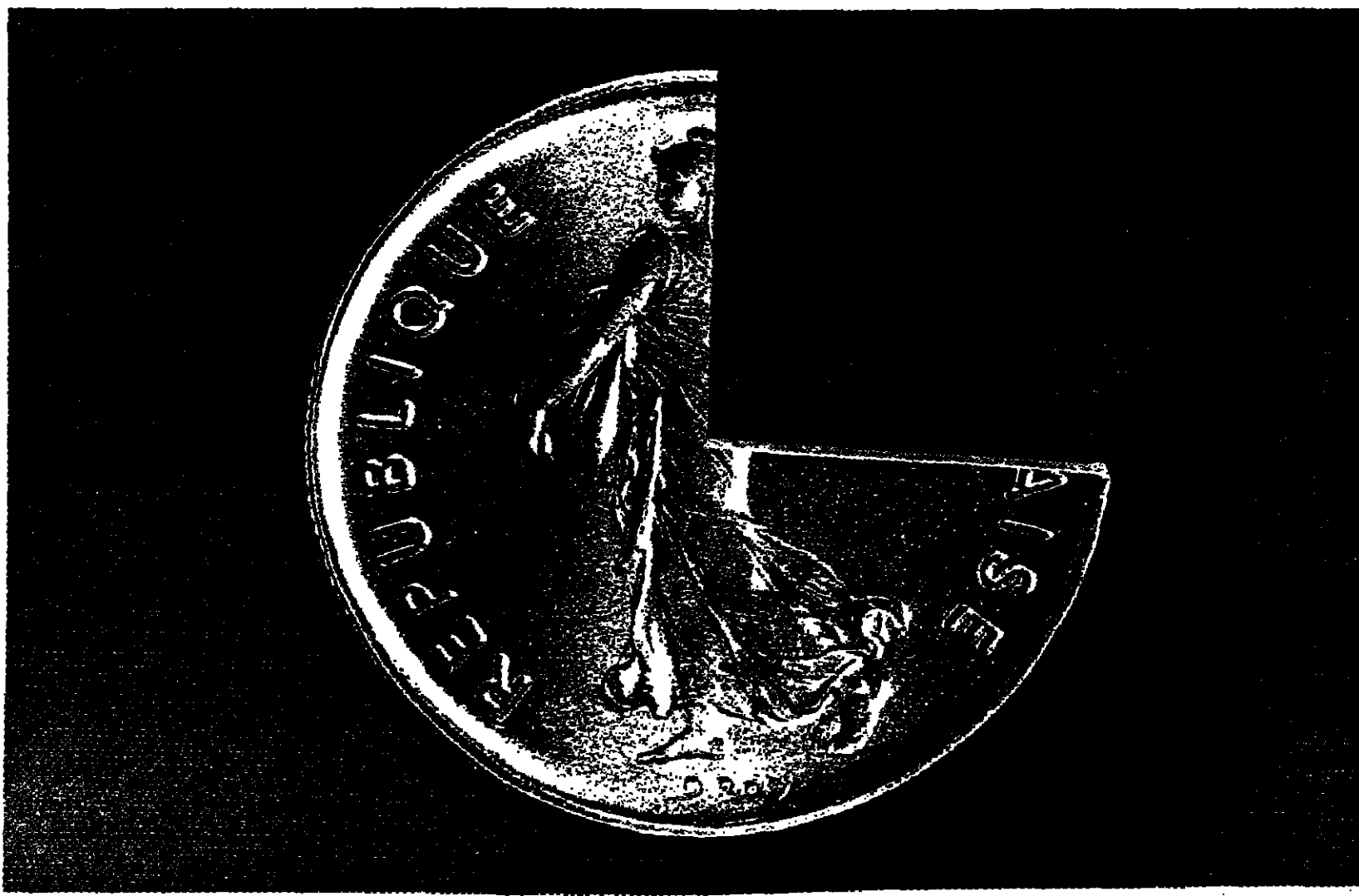


Controller operating Pzarnigan battlefield communications system, used by the British Army

## The world arms trade (deliveries)\*

Country	1982	1983	1984	1985	1986	1987-88	Per cent of total exports to Third World, 1982-88
USA	12,707	12,011	10,276	9,104	10,462	54,562	51.6
USSR	37.8	37.3	31.3	30.1	33.3	34.0	76.1
France	9,552	8,850	9,433	11,134	9,881	48,850	86.1
UK	28.4	27.5	28.7	36.8	31.4	30.5	86.1
FR Germany	3,472	3,380	4,170	4,170	4,196	18,387	12.1
Third World	10.3	10.5	12.7	13.8	13.3	12.1	66.5
China	2,065	1,077	1,825	1,777	1,947	8,791	62.9
Italy	6.1	3.3	5.9	5.9	6.2	5.5	4.4
Others	861	1,822	2,432	942	870	6,928	95.3
Total	2.6	5.7	7.4	3.1	2.8	4.4	97.1
	1,165	1,462	1,081	740	772	5,220	98.0
	3.5	4.5	3.3	2.4	2.4	3.3	61.0
	748	890	1,194	868	1,208	4,902	3.1
	2.2	2.8	3.6	2.9	3.8	4,073	2.5
	1,357	973	865	551	327	1,073	4.7
	4.0	3.0	2.6	1.8	1.0	7,586	69.0
	1,573	1,720	1,456	938	1,797	7,586	
	5.0	5.3	4.4	3.1	5.7	4.7	
Total	33,600	32,185	32,833	30,219	31,460	180,296	

\*Not new contracts  
SOURCE: Stockholm International Peace Research Institute



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## UK COMPANY NEWS

## B &amp; C issues £100m loan stock

BY STEVEN BUTLER

British & Commonwealth Holding, the financial services group chaired by Mr John Gunn, yesterday broke into the sterling debt market with the issue of £100m of 25 year loan stock. The issue marks an important departure for the group, which has financed its expansion by equity issues and short term debt. Mr Gunn said B & C would continue restructuring its debt over the next six months, as market conditions allow, with the issue of a variety of debt instruments.

The stock will have a coupon of 10.5 per cent, with an issue price of \$91.545 and a gross redemption yield of 11.539 per cent. The prices were aimed at achieving a yield 1.75 per cent higher than the 13% per cent Treasury Stock 2004/08.

Mr Gunn stressed yesterday that the issue was part of a cautious strategy aimed at insuring the group would have adequate resources to finance its long term expansion, and that it had calculated its projected earnings

would more than justify the cost of the issue. "Corporations do not go bust borrowing at 10% or 11% per cent," he said. "They go bust when they don't have any money. The important thing for us is not the yield but the maturity and the availability."

Mr Gunn said that he expected other companies to begin entering the sterling debt market shortly and that he wanted to be certain that B & C would be adequately funded before the mar-

ket becomes saturated with issues from more heavily capitalised companies. Much of the money to be raised is earmarked at funding the cash portion of the offer for Abaco Investments, announced last week.

Mr Gunn said that B & C was neither taking a view on the direction of interest rates nor the equity markets, but that the funds were offered to the group and that B & C would not pass up the opportunity in the present climate of uncertainty.

## Abaco pays £3.8m for marine adjuster

BY STEVEN BUTLER

Abaco Investments, the professional services group being acquired by British & Commonwealth Holdings, yesterday moved to boost its insurance-related service division with the £3.8m cash acquisition of Wm. Elmslie & Sons, the marine average adjusters and consultants.

Mr Cameron Brown, Abaco managing director, said the deal was made possible by the B & C support. Although Abaco is able to complete the acquisition with its

own cash resources, he said, "I would not have been happy to go ahead with all cash without the knowledge that B & C is backing us."

Mr Brown said that Abaco now felt free to continue with its acquisition programme for professional service companies and partnerships that had been virtually halted by the crash in share prices.

Elmslie is to work closely with Toplis and Harding, Abaco's loss

adjusting and marine surveyor with the intention that both businesses would benefit by mutual referrals. A loss adjuster assesses the size of a damage claim, while an average mediator assesses parties involved in a claim to apportion responsibility.

Mr Brown said the acquisition was part of the Abaco strategy of breaking down traditional barriers among fragmented professional services.

Elmslie made pre-tax profits of \$499,000 in the year to the end of April, on a turnover of \$2.8m. Some £1.15m of the turnover came from average adjusting activities, while £1.65m came from consultancy services to the oil and energy related industries.

British and Commonwealth Holdings said yesterday that it now holds 28.9 per cent of Abaco, after buying 6.6m shares on Friday at 88.5p. It has made a general offer for Abaco shares that was yesterday worth 69.4p per share.

## Arthur Lee rises 26% to record £4.1m

BY STEVEN BUTLER

Arthur Lee & Sons, the steel and plastics company, reported record pre-tax profits of £4.1m for the year ended September 30, up 26 per cent from 1986. Sales rose 12.6 per cent to \$82.5m.

The results, however, were not as strong below the line, where earnings per share rose 4.7 per cent to 9.1p. That reflected a rise in the tax charge from 17.6 to 31.3 per cent, as previous tax losses were used up.

A final dividend of 2.2p lifts the year's total from 2.6p to 3.2p per share.

Mr Peter Lee, chairman, said strong demand for the group's products had continued into the first two months of the new year, and the group would bene-

fit from price increases in bright bar and strip steel that take effect in January.

Mr Lee said the company had not seen such brisk business since 1979. Steel products accounted for 90 per cent of the group's turnover, and 96 per cent of operating profits. Sales had increased on the back of brisk demand from UK and European producers of automobiles, and consumer durables, general engineering, machine making, and construction equipment companies.

Orders for steel strip were full through the first six months of the reporting year. Orders for bright bar were also high, although these had increased in

advance of the anticipated price rise. Profitability in the plastics division improved in the later months of the year, resulting in an operating profit of £189,000 on a turnover of \$8.06m.

Mr Lee said the company was aiming to achieve margins in the division of between seven and eight per cent, although this would not happen in the near term.

Gearing amounted to 5.8 per cent at the year end. Arthur Lee once again rewarded investors with a year of rock solid growth, following the darker days earlier in the decade. The slower growth of

earnings, due to higher tax charges, should not overshadow this achievement. Other things being equal, 1987 ought to be a repeat performance. The company has refurbished its plants to deliver a higher quality product and reduce costs, and 1987 expenses in the newer and older divisions should flow more strongly into the bottom line in 1988. With little borrowing, the company can easily afford an acquisition, should the right one come along. Forecast pre-tax profits of \$4.8m in the current year would put the shares on a prospective p/e of 7.5 - a solid value in today's buoyant economy. But this would not be a defensive stock if events turn sour.

comment

comment

## Guinness confirms gas sale

BY LISA WOOD

Guinness, the drinks group, has sold Distillers CO2, its UK carbon dioxide business, for \$45m in cash to Messer Griesheim, part of Hoechst, the West German chemicals group.

Distillers CO2 is a major supplier of carbon dioxide to a variety of businesses including brewers and industrial customers. The business was acquired by Guinness when it took over Distillers, the major Scotch whisky producer, last year.

On the year ended March 31 1987, sales by Distillers CO2 were \$33.3m and the pre-tax profit was \$3.4m.

Guinness is selling Distillers CO2 as part of its strategy of concentrating financial and management resources on its core drinks activities. Other businesses of Guinness which have been divested include Martin's Newsagent and Drummond Pharmacy. Total proceeds from divestments are approximately

\$400m. Messer Griesheim's main activity is the manufacture and distribution of industrial gases including carbon dioxide and specialty gases for the electronics industry.

Mr Hans Kampny, a director of Messer Griesheim, said: "We look forward to working with the existing management and employees of Distillers CO2 in enhancing its existing activities and developing new ones."

## Pentland seeks buy-in powers

By Richard Tomkins

Pentland Industries, the industrial holding company which holds the highest single stake in the Reebok sports shoe group, yesterday joined the throng of companies seeking powers to buy in their own shares.

It posted a circular to shareholders yesterday asking permission to buy up to 27.5m of its ordinary shares, representing 10 per cent of the equity, at between 10p and 250p a share. They were to be held on 103p yesterday.

If shareholders agree at an AGM to be held on January 14, Pentland will be able to act until after the publication of its 1987 results.

The company said it only expected to invoke the powers if it did so would enhance earnings per share. Purchases would be made from funds otherwise available for investment.

If current market conditions persisted, Pentland said, purchases would probably be at a premium to net asset value. But it considered that the damage to the balance sheet would be more than outweighed by the enhancement of earnings.

## Exchange rates hit turnover at Glaxo

By Richard Tomkins

Shares in Glaxo, Britain's biggest pharmaceutical group, fell by 38p to 981p yesterday after its chairman said that results for the first five months of the current year had been hit by exchange rate fluctuations.

Mr Paul Groland told the AGM yesterday that the results, measured in sterling, were heavily influenced by changes in exchange rates, particularly that of the dollar, and figures for the five months to November 30 had been harder hit than in the past.

Provisional figures for the period showed turnover of £770m. Had exchange rates been unchanged from the comparable period, the figure would have been £880m - a 14 per cent improvement on the previous year's figure.

Mr Groland said fluctuations in exchange rates which produced a distorted picture of the group's performance had little to do with the fundamental soundness or real growth of the business.

He also warned against taking five months' sales figures as a basis for profit forecasts for the half or full year. Other factors included an inevitable slowing of the rate of growth of the company's older products and the increasing cost of expansion programmes.

A number of exciting compounds were under development, however, and prospects for turning these into major new products were now "very real indeed."

## Parkinson gets £150,000 pay from Benlox

By Nikki Tait

Mr Malcolm Parkinson, the former Woolworth director who joined Benlox Holdings to assist in its "demerger" bid for Storehouse, is being paid £150,000 a year by the small civil engineering and investment dealing company.

Mr Parkinson's salary is disclosed in the latest circular from Benlox, which again criticises the management of Storehouse. Mr Parkinson, says the circular, has a four-year service agreement with Benlox which commenced on November 23. If the bid fails, Benlox can terminate the appointment seven months after that date.

Mr Parkinson's salary is somewhat higher than that of Sir Terence Conran, Storehouse's chairman, in 1986-7; he was paid \$95,517 in the year to April. However, Benlox argues, that the remuneration level is comparable to that which Mr Parkinson was earning at Woolworth, where he had been chief executive of the departmental chain stores in the 12 months immediately ahead of his departure.

Reasons for Mr Parkinson's departure in early November were never fully explained but were generally believed to centre on the future strategy of the Woolworth chain.

Yesterday, the Takeover Panel again expressed its concern at recent press speculation over levels of acceptance which Benlox may or may not be attracting. Such statements, said the Panel, should be treated with caution unless corroborated by hard evidence.

Incorp Earl, advising Benlox, however, maintains that it has made no statements to third parties other than the level of acceptance announcements on the two closing dates.

## McCorquodale helps lift Norton Opax to £25m

BY CLAY HARRIS

Norton Opax, Britain's second largest commercial printing group, yesterday reported pre-tax profits of £25m for the 18 months to September 30, the first full financial period since the acquisition of McCorquodale last year.

This compares with £5.2m pre-tax achieved by Norton Opax in its previous full year, to March 31 1986.

Norton Opax has changed its year to end-September to coincide with McCorquodale, which accounted for nearly £10m of the pre-tax total in the 18 months to September 30. The figure includes £3m in savings achieved by post-acquisition rationalisation.

Earnings per share rose to 18.03p. The annualised figure of 12.02p was 21 per cent higher than the 9.9p achieved in 1985-86, confounding fears that the McCorquodale takeover would result in earnings dilution.

Mr Robert Maxwell, meanwhile, has bought another 900,000 Norton Opax ordinary shares to raise his total to 28.56 per cent from 22.4 per cent. He also holds about 24.5 per cent of the company's convertible preference shares.

The latest purchases will be reported to the Office of Fair Trading, as well as disclosed to the Stock Exchange. The OFT decided the end of June that Mr Maxwell's stake in his fellow printer, a relic of the hard-fought takeover battle, would not be referred to the Monopolies Commission.

It gave unofficial guidance, however, that any future share purchases by Mr Maxwell might

RESULTS BY ACTIVITY (£m)		
Sales	Trading profit	
Security products	38.2	6.9
Special products	36.9	3.9
Packaging	41.0	4.7
Book printing	31.4	3.5
Magazine printing	32.1	1.6
Commercial print	32.2	3.5
<b>TOTAL UK</b>	<b>211.8</b>	<b>24.1</b>
International	38.6	5.1
Discontinued	10.1	1.7
Central costs	-	-2.1
<b>GROUP TOTAL</b>	<b>260.5</b>	<b>28.8</b>

on the sale of property and McCorquodale's Exel shares. Some £200,000 in redundancy costs was included in the extraordinary item, but £18.5m had also been written off against pre-acquisition reserves. Rationalisation at McCorquodale has reduced employment by 286. A final dividend of 2p (2.5p) follows interims of 1p and 3p and makes a total of 6p (3.5p).

comment

Of seven divisions, none accounted for more than 18 per cent or less than 12 per cent of sales. The balance is more or less repeated at the profit level, although market leadership in security products - it is Britain's largest printer of cheques - translates into suitably handsome margins, while not all the losses have been squeezed out of McCorquodale's magazine printing operations. The latter area and packaging are the most likely sectors for UK acquisitions; others would face close scrutiny. Overseas expansion is at the top of the list. The fortunately timed rights issue in August has left gearing, excluding hire purchase, at nil, so Norton Opax can move swiftly for cash, when it finds the right target. The group's breadth could, however, attract a break-up bid. Even had he the desire, Mr Maxwell himself has no hope of getting one through regulators, but the stake could always find a new home. Takeover speculation aside, the group should achieve £30.5m this year. Although the shares gained 11p to 116p yesterday, the prospective is still less than 9.

## Maxwell in £100m purchase

BY CLAY HARRIS

Maxwell Communications Corporation is to pay up to £100m in cash for the electronic publishing and book publishing activities of the private Pergamon Group, majority shareholders in MCG, BPC.

The purchase price was reduced from the \$111m originally announced last month by Mr Robert Maxwell, chairman of Pergamon and of MCG.

MCG plans to pay an initial \$22.2m for Pergamon Orbit Infoline, US-based electronic publishing and information services business; \$21.5m for Molecular Design, US-based supplier of software systems for chemical information; and \$12.3m for Pergamon Books, publisher of scientific, technical, medical and defence books.

The \$56m total can be supplemented by further payments of up to \$44m linked to profits in 1987 and 1988.

MCG is also separately buying for \$12.5m (\$6.8m) property in Greenburgh, New York, occupied by Pergamon Books and Pergamon Journals. The latter was bought by BPC in 1986.

The deal is intended in part to bring the Pergamon Imprint back under the same ownership.

but more important, to create what MCG described yesterday as an "international multi-media business which, by virtue of its size, diversity and quality, should be at the forefront of the scientific-technical-medical publishing industry."

The transaction is subject to approval by MCG shareholders at an extraordinary general meeting to be held on December 31. Neither Pergamon, controlling 51.3 per cent of MCG, nor certain MCG directors connected with Pergamon companies will vote at the meeting.

See Lex

## Ward White in DIY purchase

BY NIKKI TAIT

Ward White, the acquisitive retail conglomerate, yesterday announced it is bolstering its UK DIY interests with the purchase of Paul Madley (Holdings), a privately-owned DIY retailer, for £27m in cash.

The acquisition, according to Ward White's chairman and managing director, Mr Philip P. Harris, will be completed by the end of August.

Higher interest charges restricted the growth of Paul Madley (Holdings) in the half year ended September 30 1987. Pre-tax profit moved up from \$545,000 to \$590,000 after interest of \$140,000 (\$26,000).

The group makes scientific and educational apparatus. Its turnover in the period rose to \$27.72m (\$24.1m) and the directors said progress was being made. Proceeds of the September rights issue were not effective in the period.

General international sales increased but margins would be squeezed to obtain the full year sales projections, particularly with the strengthening of sterling.

Earnings were 5.77p (5.5p) per share and the interim dividend is raised to 2p (1.875p).

DIVIDENDS ANNOUNCED				
Current payment	Date of payment	Corresponding div	Total for year	Total last year
Brown & Tawse	Feb 26	0.25	-	0.88
Control Tech	Feb 17	2.2	-	7.2
Craton Lodge	-	-	2	3.75
FB	-	1.6	2.5	2.2
Faller Smith	Apr	2.2	-	3.35
Greene King	Jan 14	1.8	-	8.1
Harris (Philip)	Feb 5	1.98	-	6.46
Lee (Arthur)	Feb 4	1.88	-	-
Norton Opax	Feb 19	1.8	3.2	2.6
Palmerston Inv	Apr 5	2.5	61	3.5
Vision Group	Jan 19	2	-	2.3
Whitecroft	Mar 31	1.05	-	10
Yorkshire TV	Feb 1	3	-	8

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights issue. ‡Unquoted stock. †Third mar-

## The signs show that Greene King are on course for another record year

- Half-year profits up sharply at trading and pre-tax levels.
- Sales of Abbot Ale, the flagship brand, continue to make headway.
- Continued significant contribution from investment in The Harp Lager Company.
- Volume sales advanced across the broad range of Harp Lager brands with premium strength Kronenbourg 1664 maintaining impressive growth.
- Greene King confirmed their long term confidence in Harp by deciding to brew Harp Lager from October 1989.
- With a strong balance sheet, positive cash flow and the advantage of operating in an economically fast expanding region, the Directors remain confident about full year prospects.

	£000	£000	£000
	Half year ended	Half year ended	Year ended
	1.11.87	2.11.86	3.5.87
Turnover	49,917	46,680	93,853
Profit before tax	5,891	5,040	12,514
Dividends	944	821	2,706
Earnings per Share	9.1p	7.9p	19.8p

Greene King

Interim Results

For copies of the Interim Report, write to the Company Secretary, Greene King & Sons plc, Westgate Brewery, Bury St Edmunds, Suffolk IP33 1QZ.

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## Sharp &amp; Law

Shares in Sharp & Law, a shopware which came to the Unlisted Securities Market last May, were suspended at the company's request yesterday morning pending an announcement.



## Greene King rises 17% at midway

BY LISA WOOD

Greene King, East Anglian brewer of Abbot Ale, yesterday reported pre-tax profits of \$5.89m for the six months to November 1, an increase of 17 per cent on the same period last year.

Turnover at \$49.91m was up by seven per cent but included a price rise of four per cent on beers which in turn showed a volume decline of about one per cent, in line with the market nationally.

The group said its 10 per cent increase in trading profit, to \$5.46m, was assisted by close control of costs and the fact that the period came within a two year wage settlement.

Earnings per share rose 15 per cent to 9.1p (7.9p) with the interim dividend set at 2.25p - a rise of 15 per cent.

Greene King has breweries in Bury St Edmunds and Biggles-

sure interests and a 25 per cent stake in Harp Lager which it sells as its main standard brand. Associated companies, including Harp, contributed \$399,000.

Mr Simon Redman, managing director, announced yesterday that Greene King was to exercise its option to brew Harp with a 22.4m investment in the Biggles-

wade brewery to convert it to lager production from October 1989.

Recently Greene King rejected a proposal from Elders IXL, the Australian group which owns

Courage, the national brewer, to take Greene King's larger into its public houses. Elders, which has built

up a 13.1 per cent stake in Greene King, has said it will not make a bid for the East Anglian brewer in the next six months.

Mr Redman said that while sales were slightly down those of lager, which account for 30 per cent of beer sales, were up. The

free trade accounted for 51 per cent of sales with sales to super-markets being small but at the premium-priced end of the market.

Greene King has made a small diversification into hotels with a 30 per cent stake in Butterfly Hotels, which has opened two hotels. These made a negative contribution to the balance sheet because of start-up costs but were trading above budget. "We

want to develop a reasonably-sized chain," Mr Redman said.

Sports Nationwide, which operates three ice-skating and leisure complexes in the UK, made the expected loss in the first half but would probably

contribute a small profit for the full year.

comment  
Greene King, which has a sizeable band of family and friendly

investors, should be able to put up a reasonable fight with or without the help of the Monopolies and Mergers Commission should Elders IXL decide to make a bid for it next year. Pre-tax profits were ahead of market forecasts with Greene King confident of its performance for the full year. In the longer term the decision to brew Harp lager should improve margins in a business which has seen trading margins increasing in the half year through tight cost and financial controls. Greene King appears less sure of the future of its small diversifications into leisure which it hopes to expand. However organic growth is slow for such businesses and acquisitions difficult to find and costly. Analysts are looking for a full year pre-tax profit in excess of \$14m putting the shares, up 4p to 44.8p yesterday, on a prospective p/e of 20.

## Brasway improves to £1.1m

Brasway saw its profits double from \$503,000 to \$1.08m for the six months ended October 31, and the chairman said he was "even more confident" about the year's outcome.

Mr R.A. Swaby, reported that the group was strongly organically. Although he wanted to seek and fund acquisitions he was very

satisfied with the internal growth factor, following the high capital investment of the last

four years. The chairman looked forward to a significant improvement in the full results over last year's \$1.4m pre-tax, and he saw "reason to be less than most confident" for the foreseeable future.

November was very busy and progressive and all divisions, and the subsidiary Europower Hydraulics, performed well.

Turnover for the group, which makes tube and bright drawn bars, expanded in the half year from \$9.47m to \$15.72m; the profit this time included \$28,000 exceptional credit - \$140,000 surplus on disposal of plant less redundancy and director's compensation payments.

Earnings came to 1.89p (0.88p) and the interim dividend is raised to 0.3p (0.25p).

## SHARE STAKES

Changes in company share stakes announced over the past week include:

**Oilfield Inspection Services:** Paul Bristol has purchased 566,744 ordinary shares, bringing his total holding to 1.63m shares.

**Chaffington Corporation:** On December 7, K.P. Legg, director, bought 15,000 deferred shares at 80p and now holds 4.83m deferred shares (48.85 per cent).

**ISA International:** Between November 11 and December 8, Mr David Heap purchased the following shares: 5,000 at 79p, 10,000 at 93p, 30,000 at 96p and 25,000 at 90p. Mr Heap now holds 1,916,370 ordinary (9.8 per cent).

**Benthorpe Holdings:** On November 25, J.A.D. Wynnes, director, disposed of 100,000 ordinary (0.064 per cent) at 145p and now holds 200,000 (0.128 per cent).

**Rebold:** On December 1, J.P. Frost, director, acquired 31,900 (0.048 per cent) ordinary at 44.25p and 52,400 (0.081 per cent). On November 30 he disposed of 31,800 ordinary at 44p. He now holds 84,000 (0.129 per cent).

**Rio Estates Holdings:** Lawrie Group has sold 30,000 ordinary shares and now holds 179,064 (13.2 per cent).

**Keywood Williams Group:** N.C.E. Tongue, director, sold 40,000 ordinary at 200p.

**Eagle Trust:** The following purchases at 12p took place on December 8: J.W. Ferriday, chief executive, 1.24m ordinary, R.E. Smith, managing director, 1.24m, and C.P. Whitley, company development director, 778,340 ordinary.

**Regallan Properties:** Davstone Holdings, a company owned by D.J. Goldstone and members of his family, acquired 458,000 shares between November 3 and December 4 at prices ranging from 106p to 117p per share. Davstone now owns 5.43m shares (5.89 per cent).

## LMG purchase

In a share deal, London and Manchester Group is buying George Irlam & Dugdale, an estate agent and valuer in Weston Super-Mare and district. Consideration is \$1m. The number of shares to be issued will be determined by reference to market price.

## Palmerston advances to £185,000

Increased rents and charges receivable meant that despite a sharp rise in interest charges, pre-tax profits of Palmerston Investment Trust advanced from \$153,639 to \$184,753 in the half year to September 30.

The company, a property dealer and investor, reported rents and charges received up from \$484,008 to \$768,495.

Property outgoings took \$220,695 (\$198,415), but interest receivable added \$4,756 (\$351) and surplus on disposal of investments was little changed at \$75,779 (\$76,048).

Interest payable more than doubled from \$183,043 to \$407,638.

After tax \$62,324 (\$45,315) earnings per share were ahead from 13.27p to 15p. The interim dividend was up 50 per cent at 3p (2p).

The company's Central London portfolio has been cautiously built up in recent months and was composed mainly of individual properties fully let in units of between 1,000 and 5,000 sq.ft. for which there continued to be substantial unsatisfied demand.

## Vinten at £1.2m as recovery continues

Vinten Group continued its recovery in the six months to September 30 with a 19 per cent increase in pre-tax profits from \$1.01m to \$1.2m.

In the year to March 31, the manufacturer of photographic film and television equipment, reported profits of \$3.11m compared with a corresponding loss of \$400,000 after an exceptional provision of \$1.5m.

Turnover for the half year rose from \$12.78m to \$14.19m and earnings per 20p share worked out at 3.7p (3.4p) after tax of \$420,000 (\$304,000). An interim dividend of 1.25p (1.05p) was declared.

Mr Ron Marler, chairman, said the second half had started satisfactorily but that the board took

a cautious view of the after effects of the recent free fall in the world's stock markets and the current weakness in the US dollar.

The company was continuing its investment in capital equipment and there had been no reduction in development programmes for new and existing products.

Provided world economies did not suffer severe recession, Mr Marler was confident of further progress, not only in the current year but beyond.

Trading profits rose to \$1.41m (\$1.1m) and interest paid amounted to \$204,000 (\$86,000 - excluding \$122,000 extraordinary debit). Attributable profit came to \$781,000 (\$708,000).

## Brown & Tawse upsurge

IMPROVED demand and the aid of acquisitions enabled the Brown & Tawse Group to lift its pre-tax profit by \$1.5m to \$3.5m in the half year ended September 30 1987.

For the full year prospects were regarded as favourable, subject to demand staying firm, said Mr Douglas Rae, chairman.

Turnover of the group, distributor of pipeline and industrial products, was up from \$51.74m to \$88.2m while trading profit

moved ahead from \$2.5m to \$4.1m.

Mr Rae said the surge in results reflected better demand for tube and steel products, increased contributions from acquisitions made last year and an initial one from Stauff group acquired in May.

From earnings of 8p (8p) the interim dividend is raised to 2.4p (2.2p). Last year's total was 7.2p from profits of \$5.2m.

## Marina up to £0.5m in first half

Marina Development Group, the UK's largest marina operator, which came to the USM in August 1986, revealed taxable profits sharply higher at \$510,000 for the six months to end-September.

During the period under review, a controlling interest in Marina Development was acquired by a group of investors led by the Local London property group.

The first-half results, prepared on an acquisition accounting basis, were achieved on turnover up from \$1.91m to \$4.94m, and included an exceptional profit of \$308,000 relating from the sale of Upton Marina.

Interest charges increased to \$293,000 (\$113,000). After tax of \$130,000 (\$22,000), earnings per 50p share rose from 2.43p to 5.1p.

The directors stated that the results could not yet reflect the impact of the change in corporate policy, but the property expertise of the new board was now focused on the results of a review of the group's property assets.

They said that the six months results were encouraging and provided the basis for confidence in further improvements for the future.

## Auctions

The Financial Times proposes to publish this survey on the 29th January 1988.

A number of areas will be covered including:

- A. Commercial property
- B. Residential property and land
- C. Agricultural land and farms
- D. Industrial investments
- E. Retail property
- F. Plant and machinery
- G. Vehicles
- H. Fine art

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Financial Times  
Europe's Business Newspaper

## INVESTORS IN INDUSTRY GROUP PLC.

### INTERIM STATEMENT

In the six months to 30 September new investment was £288m, an increase of £39m over the same period last year. This has been substantially funded from cash flow, but the opportunity has since been taken of augmenting the resources available to meet a continuing high level of demand by the issue of £15m of Floating Rate Notes.

The six months' unaudited consolidated results set out below are presented on the historic cost basis. The provisions charge for the period takes into consideration subsequent stock market changes and the current economic uncertainty. The estimated effect on investment assets of the market fall between 30 September and 30 November has been to reduce the surplus over cost from £827m to £427m. At 31 March the surplus was £47m.

In order to reduce the disparity between the interim and final payments the amount of the interim dividend has been increased to 4 pence per share (£4.42/408) from 2.5 pence per share (£2.58/408).

### SIX MONTHS' UNAUDITED CONSOLIDATED RESULTS

	6 months to 30 September 1987	6 months to 30 September 1986	Year to 31 March 1987
Group income	108,398	98,197	194,605
Associated companies	4,067	2,958	6,362
	112,465	101,155	200,967
Profits less losses on realisation	91,963	28,538	63,442
Provisions	(40,127)	(9,981)	(24,487)
Income from operations	1,64,301	119,712	239,922
Operating costs	22,375	19,767	39,548
Profit before interest on borrowings	141,926	99,945	200,374
Interest on borrowings	(65,785)	(67,732)	(133,591)
Profit before exceptional items and tax	76,141	32,213	66,783
Exceptional items	223	4	392
Profit before tax	75,918	32,209	66,391
Estimated tax	20,493	9,643	18,633
Profit after tax and before extraordinary items	55,225	22,566	47,758
Extraordinary items	63	8,428	8,243
	55,288	30,994	56,001

NOTE:  
The figures for the year ended 31 March 1987 are taken from accounts filed with the Registrar of Companies and the auditor's report is as unqualified.

INVESTORS IN INDUSTRY GROUP PLC. 91 WATERLOO ROAD, LONDON SE1 8AP

NEW ISSUE December 10, 1987

## FannieMae

\$250,000,000  
9.00% Capital Debentures

Dated December 17, 1987 Due December 10, 1992

Interest payable on June 10, 1988 and semiannually thereafter.

Series CD-1992-A Cusip No. 313586 YL 7

Non-Callable

Price 100%

The Capital Debentures are the obligations of the Federal National Mortgage Association, a corporation organized and existing under the laws of the United States, issued under authority contained in Section 304(d) of the Federal National Mortgage Association Charter Act, and are subordinated and junior in right of payment to all obligations of Federal National Mortgage Association issued or to be issued under and pursuant to Section 304(b) of the Charter Act (12 U.S.C. 1716 et seq.).

This announcement is not to be construed as an offer to sell or as a solicitation of an offer to buy any of these securities. This offering is made through the Offering Circular, Copies of the Offering Circular may be obtained at any State in which this announcement is circulated from the undersigned or other dealers or brokers as may be listed on the Offering Circular in such State.

The Capital Debentures, together with any interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than Fannie Mae.

This offering is made by the Federal National Mortgage Association through its Senior Vice President-Finance and Treasurer with the assistance of a nationwide Selling Group of recognized dealers in securities.

Debentures will be available in Book-Entry form only.

There will be no definitive securities offered.

Gary L. Perlman

Senior Vice President-Finance and Treasurer

3800 Wisconsin Avenue, N.W., Washington, D.C. 20016

This announcement appears as a matter of record only.

Linda K. Knight

Vice President and Assistant Treasurer

3800 Wisconsin Avenue, N.W., Washington, D.C. 20016

## WHITECROFT

### 34% INCREASE IN PROFIT

### INTERIM RESULTS TO 30 SEPTEMBER 1987

	1987	1986
	£'000	£'000
Turnover	up 22% 65,563	53,942
Pre-tax profits	up 34% 4,820	3,591
Dividends	up 15% 3.45p	3.00p

"We are maintaining a high level of new investment in our existing businesses, none of which is significantly affected by recent currency changes. Results to date in the second half are well above last year and we expect this pattern to continue."

Tom Weatherby, Chairman

### WHITECROFT plc

Textiles, Building Supplies, Lighting, Property Development.

A copy of the Interim Report may be obtained from: The Secretary, Whitecroft plc, Water Lane, Wilmslow, Cheshire SK9 5BX. Telephone: 0625 524677.



Chugai Pharmaceutical Co., Ltd.  
US\$30,000,000 7¼%  
Convertible Bonds 1996

To the Bondholders:

We, Chugai Pharmaceutical Co., Ltd., hereby notify you that, as a result of a free distribution of shares of Common Stock to shareholders of record as of 31st December, 1987, Japan time, at the rate of 0.05 share for each share held, the conversion price of the above-captioned Bonds will be adjusted pursuant to Condition 6, paragraph (A), sub-paragraph (i) of the Terms and Conditions of the Bonds under the Trust Deed dated 24th June, 1982 from Yen 44.5 to Yen 44.5 per share, effective as from 1st January, 1988, Japan time.

14th December, 1987

Chugai Pharmaceutical Co., Ltd.,  
1-9, Kyobashi 2-chome,  
Chuo-ku, Tokyo, Japan

The Sumitomo Bank, Limited  
(Principal Paying & Conversion Agent)

US\$39,200,000  
Short-term Guaranteed Notes  
issued in Series under a  
US\$380,000,000  
Note Purchase Facility  
by  
Mount Isa Mines  
(Coal Finance) Limited

Notice is hereby given that the above Series of Notes issued under a production Loan and Credit Agreement dated 30th March, 1983, carry an interest rate of 8¼% per annum. The issue date of the above Series of Notes is 15th December, 1987, and the Maturity Date will be 15th June, 1988. The Euro-clear reference numbers for this Series are 70291 and 71658 and the CDOEL reference number is 843860.

Manufacturers Hanover Limited  
Issue Agent

14th December, 1987

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BRITISH & COMMONWEALTH

(Incorporated in England under the Companies Acts 1948 to 1980 with registered number 556729)

Placing of £100,000,000 10.5 per cent. Unsecured Loan Stock 2012 at £91.545 per £100 nominal payable as to £50 per £100 nominal on acceptance and as to the balance of £41.545 by 11th February, 1988.

Application has been made to the Council of The Stock Exchange, for the whole of the £100,000,000 10.5 per cent. Unsecured Loan Stock 2012 (the "Stock") to be admitted to the Official List.

In accordance with the requirements of the Council of The Stock Exchange two market makers will be offered participation in the marketing of the Stock.

Listing particulars relating to British & Commonwealth Holdings PLC incorporating particulars of the Stock have been prepared as required by the Listing Rules made under Part IV of the Financial Services Act 1986 and are contained in new issue cards circulated by Exel Financial Limited. Copies of the listing particulars, accompanied by copies of the consolidated annual accounts of the Company for the year ended 31st December, 1986, may be obtained during normal business hours on any weekday, Saturdays and Bank holidays excepted, up to and including 4th January, 1988 from:-

British & Commonwealth Holdings PLC  
Cayzer House  
2 & 4 St. Mary Axe, London EC3A 8BP

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Ebbgate House  
2 Swan Lane, London EC4R 3TS

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2 Swan Lane, London EC4R 3TS

and during normal business hours on 16th and 17th December, 1987 from:  
The Company Announcements Office,  
The Stock Exchange, Throgmorton Street, London EC2P 2BT

15th December, 1987



## COMMODITIES AND AGRICULTURE

Shellfish  
poison  
alert in  
Canada

By Robert Gibbons in Montreal

SCIENTISTS in Ottawa and Halifax, Nova Scotia, are working round the clock trying to identify a mysterious toxin that has caused a federal government health alert concerning some fresh shellfish originating in Atlantic Canada and the Gulf of St. Lawrence.

The alert covers fresh mussels, clams and oysters, but not lobsters. About 100 people, mainly in Montreal, have been poisoned after eating mussels originating in the St. Lawrence and Atlantic area, and one elderly man has since died.

At first the alert affected only mussels, but it has since been extended to clams and oysters. The American authorities have also issued a warning against imported mussels, clams and oysters from Atlantic Canada.

Several million dollars worth of shellfish stocks have been destroyed at the fisheries and through the distribution chain since the first alert a week ago.

If the alert continues the whole Atlantic fishing industry could be adversely affected.

Federal scientists believe the toxin absorbed by some shellfish originates in naturally produced algae or bacteria normally found throughout the world's oceans.

Coated paper  
price raised  
further

THE LISTED price for No 5 standard 40-pound lightweight coated paper, which is used widely in advertising inserts, are going up by US\$50 per short ton to \$830 on January 1, only \$30 short of the all-time peak set in January 1985, writes Robert Gibbons.

Over the past year No 5 LWC will have risen by US\$150 a ton. But early in 1987 actual deals were down below US\$650 as the market absorbed production from several new machines in North America. However, this has been rapidly absorbed by a market which is growing by around 10 per cent a year.

No 3 (70 lb) coated free sheet, used widely in catalogues, remains stable at US\$1,080 per ton. The last increase came in August.

The Canadian Pulp and Paper Association, responding to public concerns, is launching a study into how dioxins are formed in the bleaching of craft pulp.

The programme will be carried out at its Montreal research laboratory and follows preliminary studies by the American Paper Institute that confirmed the presence of dioxins in many household paper products.

It is believed that the dioxins stem from the bleaching process and already in Sweden paper products manufacturers are using material that is subject to less bleaching.

Mackerel problem splits  
EC at fisheries talks

By Tim Dickinson in Brussels

THE PROBLEM of migrating mackerel was proving a major stumbling block last night in European Community negotiations on fish catch limits for 1988.

The difficulty has arisen over the EC's quota for so-called western mackerel, currently fixed for a zone to the West of Scotland but which British claims should now be broadened to take in an adjacent zone in the North Sea.

The argument, according to Britain's Fisheries Minister Mr John MacGregor, is that fish in the western zone have been crossing the dividing line between the two, known as 54 degrees west, thus making excursions by Scottish fishermen to pursue them illegal.

Britain was taking a tough line on the whole package of allowable catches and quotas in an effort to secure the necessary flexibility. But Mr MacGregor was running into strong opposition from Denmark and Ireland, both of whom say that merging

the zones would be a fundamental breach of the original principles of the Common Fisheries Policy.

Ireland was pushing for the TAG for mackerel to be increased from the Commission's current proposal for just over 380,000 tonnes to around 500,000 tonnes next year.

The summering dispute, which flared up at a meeting of EC Fisheries Ministers in Brussels yesterday, was just one of several issues which the Danish Presidency of the Council was attempting to solve.

The North Sea cod quota, for example, which the Commission wanted to reduce from 175,000 tonnes to 148,000 tonnes, was proving divisive. Britain and West Germany were happy to compromise at 160,000 tonnes, Belgium and the Netherlands were arguing for a same again (175,000 tonnes), while Denmark wanted a figure "considerably higher than 160,000 tonnes."

A major West German preoccupa-

tion is a Commission proposal to limit fishing for cod in the German Bight zone to nets with a minimum mesh size of 120mm in the first last quarters of the year. This is seen as an important means of protecting young fish, but other member states appeared to be sympathetic to the German line that the requirement would be costly and impractical for their fleets.

Spain and Germany, meanwhile, were keen to increase the Community's share of the cod quota for the Spitzbergen area of the North Sea, while Spain raised the issue of greater access for its fleets to Greenland and Faroe island waters.

The annual TAG and quota negotiations are generally tough and complicated by a wide range of different demands. The expectation in Brussels after he had somewhat surprisingly adjourned the meeting last night was that Mr Lars Gammelgaard, the Danish Fisheries Minister, would table a compromise proposal this morning.

Gold  
trades  
above  
\$500

By Kenneth Gooding

GOLD BULLION broke through an important psychological barrier yesterday to trade at more than \$500 a troy ounce for the first time since February 1983.

The break-through was widely expected following the steep fall in the value of the dollar but some analysts suggested gold might have a struggle to hold the \$500 level in the short term. Indeed, by the close last night the price had slipped back to \$499.50 from the \$502.75 at which it was fixed in the morning in good two-way trading.

Dealers said the early gains were trimmed by profit-taking and a selling pressure by the fall in oil prices following the failure of the Opec Ministers to reach agreement. However, the price was \$66 above Friday's close.

Mr Graham Birch, an analyst with Kiewit Greaves, said he expected gold to slip back to the top end of its previous range (about \$485 an ounce) as dealers squared their positions before the Christmas break.

In the New Year a rise to about \$550 was possible, suggested Mr Birch, as the gold price would probably average \$500 in 1988.

Mr Julian Baring, an analyst at James Capel, was more bullish. He suggested the price could rise to about \$550 an ounce by the middle of next year.

## LME prices forecast to fall

By Kenneth Gooding, MINING CORRESPONDENT

PRICES OF copper, aluminium, nickel, lead and zinc should fall steadily in 1988, according to the Economist Intelligence Unit. But the prices of tin and iron ore are forecast to rise.

Increased output in response to higher 1987 prices - from very low levels last year - should ensure that copper, aluminium and nickel prices will decline, says the EIU in a report published today.

For each metal it forecasts a pattern of higher average prices in 1988 compared with the average for this year but substantially lower fourth-quarter prices.

In its annual review of prospects for industrial raw materials, the EIU forecasts a slight fall in consumption of refined copper, by 1.5 per cent from an estimated 7.87m tonnes this year to 7.76m tonnes in 1988, whereas copper exports are expected to rise 3 per cent, from 7.61m to 7.84m tonnes.

The shift from supply deficit to surplus should produce a fall in the price of copper which gathers pace during the second half of 1988, the EIU says. The cash price is forecast to fall from 117 cents a lb in early December this year to 72 cents a lb.

The report suggests, however, that the average price for 1988 should be in the range of 83 cents to 88 cents a lb, 10 per cent higher than the 1987 average. The price in the first half of next year could 'remain comfortably over 90 cents a lb'.

LME WAREHOUSE STOCKS

(Change during week ended last Friday)

Commodity	Standard	High Grade	Low Grade
Aluminium	-425	to 40,075	
Copper	-1,200	to 58,950	
Lead	-675	to 47,325	
Nickel	-792	to 2,984	
Zinc	-850	to 28,250	
Tin	-50	to 15,475	
Silver (oz)	unchanged	at 12,725,000	

Primary aluminium consumption is forecast to rise by 1.8 per cent from the 1987 level to 13.57m tonnes, compared with a 4.7 increase in output during the same period, to 13.4m tonnes.

The EIU expects the price of aluminium to fall 20 per cent from the 1987 peak to 74 cents a lb in the fourth quarter of next year. But the average 1988 price of 76 cents a lb would be 7.5 per cent above the average for this year.

Smelter and refinery production of nickel is forecast to increase by 5.9 per cent from

535,000 tonnes this year to 567,000 tonnes in 1988 while consumption should show a 3 per cent rise to 618,000 tonnes next year.

While the report foresees a 28 per cent drop in the European free market price of nickel, from the current \$2.95-\$3.03 a lb to \$2.10-\$2.20 lb by the fourth quarter of next year, the average price would remain 11 per cent higher than in 1987 at \$2.35 a lb compared with \$2.12.

It highlights the fact that sales of tin concentrate by China are slowing down but the market's return to normal suggests that those sales may be smaller in 1988.

That should contribute to a rising trend in tin prices next year to an average of \$4,750 a tonne, compared with \$4,250 in 1987.

The EIU predicts that zinc prices will rise to an average of 78 cents a lb in 1988 against 72 cents a lb this year while the price of lead may subside gently to about \$310 a tonne next year from the 1987 average of \$360. *World Commodity Outlook 1988: Industrial Raw Materials*. From the EIU, 40 Duke Street, London W1A 1DW. £95 UK and Europe; US\$180 North America; £98 rest of world.

## Finnish phosphate mine planned

By Olli Virtanen in Helsinki

KEMIRA, the Finnish state-owned fertiliser group, plans to open a new phosphate mine in the Finnish Lapland at a cost of FM 1.2bn (\$183m).

The deposits are expected to yield a total of 117m tonnes of phosphate over the next 20-25 years.

Opening of the Sokli mine will be one of the largest industrial investments in Finland. It will

include a 360 km pipeline to carry the concentrate ore to the Western coast of Finland, a concentration plant on site and power lines.

The plans still require a number of permits and licences from various authorities. Kemira plans to open the mine in 1992. The Sokli at Sokli is one of the largest phosphate deposits in the world. The phosphate is free of

cadmium, making it unique by European standards. Kemira plans to use much of the phosphate from Sokli at its fertiliser plants in Finland and abroad, including the newly-acquired Gechem plant in Belgium and Superfosin Denmark, in which Kemira has a controlling stake.

Sokli, situated some 100 kilometres north of the Arctic Circle, close to the Russian border, was discovered some 20 years ago.

## MacGregor's plan attracts little interest

TO NOBODY'S surprise the

Copenhagen Summit achieved exactly nothing in the way of reforming the Common Agricultural Policy. And it is almost certain that the next meeting in Brussels will get no nearer achieving a sensible solution to the EC budget crisis.

The plain fact is that only a British belief there is much wrong with the present system. In the course of one of my first investigations of the EC, in 1962, I asked Mr Pisan, then the French Minister of Agriculture, what was going to happen to the food from non-members, such as Australian wheat and New Zealand butter, once Britain became a member.

"You should remember," he said, "that as a common market, the interests of the members would be paramount. That is what a Common Market means." No one could accuse the member states of abandoning that principle now.

It is believed probably as a reaction to the failure in Copenhagen that Mr John MacGregor, the British Minister of Agriculture, chose last week's Royal Smithfield Show to announce what

might best be described as a mini set-aside scheme, in the guise of a consultation document.

It is also worth pointing out that on the opening day of the Show Mr Simon Gourlay, president of the National Farmers' Union, launched a fresh attack on the depressing effects of the EC's grain support system on UK farmers' incomes.

Mr Gourlay's complaint caused hardly a ripple, nor for that matter did Mr MacGregor's plan create much of a splash. There was nothing in it to attract more than passing interest from farmers.

In the first place it was designed to be a small national scheme to take a limited area of land out of cereal or beef production. Farmers would be offered an annual payment of about £70 an acre to take up to 20 per cent of their cereal or grazing land out of farming for five years. The idle land could be left fallow, switched to non-supported crops or forestry, or devoted to amenity use.

Farmers' reactions to the sum offered were reported to be pretty dismissive. Most claimed that their fixed annual costs per

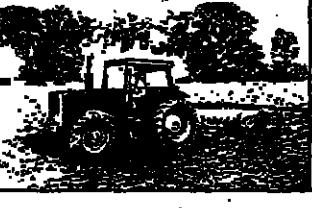
acre would amount to nearly double that figure. Relinquishing the opportunity of cropping practised in many of the arable areas every year but to maintain the fixed costs on the remainder.

I wonder, moreover, what is meant by follow these days. Following used to be a perfectly respectable act of husbandry. Farmers would follow the land, renewing fertility and killing weeds. But I cannot remember following for more than a year out of any four. I could see an argument on farming grounds for following 20 per cent of the arable acreage every year but to take the same land out of farming for five years does not seem very logical.

The land is a living organism and it would be growing some-

FARMER'S  
VIEWPOINT

By John Cherrington



ers will claim that were it not for their skills their land would produce very little.

Reading between the lines of reports from Europe it does seem that there is some acceptance of the need for budgetary stabilisers coupled with some quantitative restrictions on production, rather on the lines of milk quotas.

This approach is condemned by Mr Frans Andriessen, president of the EC Commission, as being restrictive of farming freedom and likely to freeze production patterns. Member countries are nothing like so hostile and the NFU is all for compulsory set-asides and other restrictions as long as they are fair all round.

The odd man out in this is believed to be Mr MacGregor, who would welcome some form of set-aside as long as it was coupled with price reductions, pushing them down towards world price levels. Here it must be said that there is nothing as artificial as today's world price stability which is set by the US as a means to clear their markets under the Export Enhancement Program and have no relation to costs of production.

There is little variation anywhere, in my opinion, in the real costs of growing cereals in terms of labour, machinery, fuel and fertilisers.

West Germany is often cited as the most inefficient of the farming countries, mainly because of the small scale of many enterprises. Yet in northern areas, such as Schleswig Holstein, there are huge cereal farms matching anything to be seen in France or the UK. Even where the farms are very much smaller the husbandry used is first class and yields are up to best European standards.

Such farmers see no reason why they should cut their production to meet the demands of stabilisers and at the same time take lower prices, for whatever reason, than they should. They are up to best European standards, which are not these days determined by any law of supply and demand.

If the NFU and European farmers are prepared to trade against price stability why should they be denied this? It does seem as if at last there could be an agreed package which could satisfy almost everyone.

Portugal to  
import  
Pakistani rice

By Mohammed Aftab in Islamabad

PORTUGAL HAS signed an agreement to buy 150,000 tonnes of rice from Pakistan.

The state-owned Rice Export Corporation will ship it to Portugal between October and June, 1988 under an agreement signed with AGA Portugal.

It is the first time that Portugal has purchased rice from Pakistan, which is an expanding producer of the commodity.

The rice will include between 15 to 20 per cent of broken and 40 to 45 per cent of whole rice grains, an official said.

Pakistan's overall exports to Portugal in 1986-87 were worth \$29.4m, while imports amounted to only \$1.2m.

The rice deal, Pakistani and Portuguese officials hope, will help to expand the trade, and bring about a diversification of commodities traded.

## LONDON MARKETS

ZINC PRICES fell sharply on the London Metal Exchange yesterday, with the second position contract shedding £15 to close at £451.50 a tonne - the lowest for more than a month.

The downturn in sterling failed to support morning steadiness, with selling in the afternoon finding conditions rather thin. In contrast copper continued its strong advance, with the cash premium or backwardation widening on reports that stocks of Grade A metal held in LME warehouses fell 6,750 tonnes to 47,325 tonnes. The premium rose by £19.50 a tonne to £211.50. Trading in the afternoon failed to follow through earlier highs, however, and was held back by sporadic profit-taking. Nickel prices were also well ahead, influenced by fresh West German merchant buying. Aluminium prices extended morning gains.

## SPOT MARKETS

Credit oil (per barrel FOB January) + or -

Dubai	\$15.95-15.85	-0.80
Brent Blend	\$17.30-17.40	-0.70
WTI (1st pm est)	\$17.15-17.20	-0.80

Oil products (NVE prompt delivery per tonne CIF)

Premium Gasoline	\$172-174	-2
Gas Oil	\$168-169	-4
Heavy Fuel Oil	\$75-76	-4
Naphtha	\$147-148	-4
Petroleum Argus Estimates		

Other + or -

Gold (per troy oz)	\$489.50	+7.125
Silver (per troy oz)	\$20.00	-0.05
Platinum (per troy oz)	\$512.00	+8.75
Palladium (per troy oz)	\$123.50	+8.00

Aluminium (free market)

Copper (US Producer)	\$170	+35
Lead (US Producer)	\$129.50-130	+0.512
Nickel (free market)	\$37	+10
Tin (European free market)	\$27.00	-0.04
Tin (Kuala Lumpur market)	\$17.01	-0.04
Zinc (European free market)	\$220.50	+1.00
Zinc (US Producer)	\$44.75	

Cattle (live weight)

Sheep (dead weight)	\$108.50	+2.07
Pigs (live weight)	\$206.60	+1.25
Pigs (live weight)	\$206.60	+1.25
Pigs (live weight)	\$206.60	+1.25

London daily sugar (raw)

London daily sugar (white)	\$211.50	-2.50
Yield and Life export prices	\$217.00	-1.50

Barley (English best)

Wheat (US No 3 winter)	\$108.00	+1.00
Wheat (US Dark Northern)	\$108.00	+1.00
Rubber (Javan)	\$2.00	+0.50
Rubber (Javan)	\$2.00	+0.50
Rubber (Javan)	\$2.00	+0.50

Coconut oil (Philippines)

Cocoa (Philippines)	\$330	+10
Cocoa (US)	\$144	-2
Cotton "A" index	\$71.00	-0.10
Wool (US Super)	\$54	

2 a tonne unless otherwise stated, p-penns/100 c-cents/b, r-rings/kg, w-Dec/Jan, v-Jan/Feb, z-Jan, y-Feb/Mar, u-Mar/Apr, t-Apr/May, s-May/June, r-June/July, q-July/Aug, p-Aug/Sept, o-Sept/Oct, n-Oct/Nov, m-Nov/Dec, l-Dec/Jan, k-Jan/Feb, j-Feb/Mar, i-Mar/Apr, h-Apr/May, g-May/June, f-June/July, e-July/Aug, d-Aug/Sept, c-Sept/Oct, b-Oct/Nov, a-Nov/Dec.

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## AUTHORISED UNIT TRUSTS

	Std Price	Div Yield
<b>Abbott Unit Trst. Mgmt. (A)</b>		
80 Haldenwood Rd., Bensenville		
High Income		
American Income	37.7	117.5
Gains & Fixed Inc.	109.4	117.5
High Inc. Equity	119.2	117.5
Worldwide Bond	186.2	197.6
Capital Growth		
American Growth	114.7	122.8
Asian Pacific	41.7	118.1
Assets & Earnings Tr.	75.9	76
Capital Growth	100.3	107.1
European Capital	60.5	69.8
General	129.6	135.8
Mastertrust	71.8	85
U.K. Growth	61.0	65
U.S. Growth Asst. Units	162.3	178
U.S. Growth Inc.	113.2	116
U.S. Corp. Growth	28.1	28.1
Income & Growth	212.8	221.5
Global Growth	35.9	

[illegible][illegible]

**SET BY GRIFFIN**

[illegible]

- 7 Verify having circulated evi  
data (8)
- 8 Understanding about useless  
piano causing anxiety (8)
- 11 Sad exhaust could be spar  
(4)
- 16 Poor Thora sues writer (9)
- 17 Ambled up valley under rock  
tors (8)
- 18 Damage careless user's chop  
(4)
- 20 Draw up outside, kiss and  
leave (4)
- 21 It's June's half-cooked tripe  
by Jovel (7)
- 23 Rives always going in two  
directions (8)
- 23 Position of sportsman for  
difficult ascent (6)
- 26 Fit ash container in the bac  
way (6)

doctor? (9)  
 17 Actual back way into food store (8)  
 18 Fish tea audibly consumed by theatre worker (8)  
 19 Stop by new side street (6)  
 20 Bearing gifts for the hard of hearing? (8)

**DOWN**

1 About to look up cricketer (6)  
 2 Jabbered about pay to pithhead man (6)  
 3 Ancient, most valuable, top is missing (5)  
 4 Was noisy when flustered (7)  
 5 Stop taking tea about ten, delighted (8)

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[illegible]



## LONDON SHARE SERVICE

[illegible]



## LONDON SHARE SERVICE

## AMERICANS - Contd

1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591	590	589	588	587	586	585	584	583	582	5
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## 41

[illegible]







# CANADA

Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng
TORONTO																	
Closing prices December 14																	
51792	AMCA Int'l	39	8	24	+	7525	Bank	200	185	185	+	51900	LaSalle B I	577	35	17	+
5495	Abnott Pfr	255	24	25	+	5730	Bank	200	185	185	+	7100	LaSalle Int'l	415	400	410	+
19829	Abnott Pfr	255	24	25	+	55549	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	+
19829	Abnott Pfr	255	24	25	+	49302	Can Glass	1194	400	400	+	10110	LaSalle Int'l	511	511	511	

# OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Shares)	High	Low	Last	Chg	Stock	Sales (Shares)	High	Low	Last	Chg	Stock	Sales (Shares)	High	Low	Last	Chg		
Continued from Page 45																			
Omnicor .70	5	720	105	145	105	145	RoadRun1.10	22	1417	325	315	335	+4	Shirley .44	14	635	175	165	+1
Omnicor .42	5	41	10	30	31	31	RoadRun2.05	1448	85	10	10	10	10	Shirley1.43	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun3.10	80	8	75	75	75	75	Shirley2.05	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun4.10	80	8	75	75	75	75	Shirley3.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun5.10	80	8	75	75	75	75	Shirley4.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun6.10	80	8	75	75	75	75	Shirley5.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun7.10	80	8	75	75	75	75	Shirley6.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun8.10	80	8	75	75	75	75	Shirley7.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun9.10	80	8	75	75	75	75	Shirley8.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun10.10	80	8	75	75	75	75	Shirley9.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun11.10	80	8	75	75	75	75	Shirley10.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun12.10	80	8	75	75	75	75	Shirley11.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun13.10	80	8	75	75	75	75	Shirley12.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun14.10	80	8	75	75	75	75	Shirley13.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun15.10	80	8	75	75	75	75	Shirley14.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun16.10	80	8	75	75	75	75	Shirley15.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun17.10	80	8	75	75	75	75	Shirley16.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun18.10	80	8	75	75	75	75	Shirley17.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun19.10	80	8	75	75	75	75	Shirley18.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun20.10	80	8	75	75	75	75	Shirley19.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun21.10	80	8	75	75	75	75	Shirley20.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun22.10	80	8	75	75	75	75	Shirley21.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun23.10	80	8	75	75	75	75	Shirley22.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun24.10	80	8	75	75	75	75	Shirley23.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun25.10	80	8	75	75	75	75	Shirley24.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun26.10	80	8	75	75	75	75	Shirley25.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun27.10	80	8	75	75	75	75	Shirley26.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun28.10	80	8	75	75	75	75	Shirley27.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun29.10	80	8	75	75	75	75	Shirley28.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun30.10	80	8	75	75	75	75	Shirley29.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun31.10	80	8	75	75	75	75	Shirley30.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun32.10	80	8	75	75	75	75	Shirley31.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun33.10	80	8	75	75	75	75	Shirley32.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun34.10	80	8	75	75	75	75	Shirley33.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun35.10	80	8	75	75	75	75	Shirley34.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun36.10	80	8	75	75	75	75	Shirley35.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun37.10	80	8	75	75	75	75	Shirley36.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun38.10	80	8	75	75	75	75	Shirley37.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun39.10	80	8	75	75	75	75	Shirley38.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun40.10	80	8	75	75	75	75	Shirley39.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun41.10	80	8	75	75	75	75	Shirley40.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun42.10	80	8	75	75	75	75	Shirley41.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun43.10	80	8	75	75	75	75	Shirley42.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun44.10	80	8	75	75	75	75	Shirley43.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun45.10	80	8	75	75	75	75	Shirley44.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun46.10	80	8	75	75	75	75	Shirley45.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun47.10	80	8	75	75	75	75	Shirley46.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun48.10	80	8	75	75	75	75	Shirley47.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun49.10	80	8	75	75	75	75	Shirley48.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun50.10	80	8	75	75	75	75	Shirley49.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun51.10	80	8	75	75	75	75	Shirley50.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun52.10	80	8	75	75	75	75	Shirley51.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun53.10	80	8	75	75	75	75	Shirley52.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun54.10	80	8	75	75	75	75	Shirley53.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun55.10	80	8	75	75	75	75	Shirley54.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun56.10	80	8	75	75	75	75	Shirley55.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun57.10	80	8	75	75	75	75	Shirley56.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun58.10	80	8	75	75	75	75	Shirley57.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun59.10	80	8	75	75	75	75	Shirley58.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun60.10	80	8	75	75	75	75	Shirley59.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun61.10	80	8	75	75	75	75	Shirley60.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun62.10	80	8	75	75	75	75	Shirley61.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun63.10	80	8	75	75	75	75	Shirley62.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun64.10	80	8	75	75	75	75	Shirley63.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun65.10	80	8	75	75	75	75	Shirley64.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun66.10	80	8	75	75	75	75	Shirley65.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun67.10	80	8	75	75	75	75	Shirley66.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun68.10	80	8	75	75	75	75	Shirley67.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun69.10	80	8	75	75	75	75	Shirley68.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun70.10	80	8	75	75	75	75	Shirley69.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun71.10	80	8	75	75	75	75	Shirley70.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun72.10	80	8	75	75	75	75	Shirley71.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun73.10	80	8	75	75	75	75	Shirley72.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun74.10	80	8	75	75	75	75	Shirley73.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun75.10	80	8	75	75	75	75	Shirley74.10	14	635	175	165	+1
Omnicor .35	5	548	135	12	125	+4	RoadRun76.10	80	8	75	75	75	75	Shirley75.10	14	635	175	165	

[illegible]

NEW YORK

	11	10	9	8	1987	Stock completion
	11	10	9	8	High	Low
Commodities	1867.04	1855.44	1862.52	1864.37	2722.42	2722.42
Energy	85.90	86.05	86.01	86.01	95.51	95.51
Transport	699.00	699.00	699.00	699.00	1301.16	1301.16
Utilities	175.62	174.73	177.01	177.34	221.13	221.13

40yr's High 1987-93 (1925.57) Low 1838.36 (1925.57)

STANDARD AND POOR'S						
Composite %						
	255.32	253.57	254.98	254.91	336.77	332.92
Industrials	271.15	269.24	270.38	269.87	361.17	357.40
Financials	267.40	265.42	267.04	267.25	325.43	325.43
NYSE Composite	131.79	131.07	131.56	131.62	167.99	167.99
NYSE Mid. cap	242.72	241.04	241.20	239.57	325.43	325.43
NASDAQ QTC Comp	302.57	300.81	301.96	297.96	452.28	452.28

	Nov. 27	Nov. 20	year ago (approx.)
Dow Industrial Div. Yield	3.58	3.59	3.58
S & P Industrial Div. yield	3.24	3.25	3.24
S & P P/E ratio	15.25	14.73	14.99

TRADING ACTIVITY				NEW YORK			
				Dec. 21	Dec. 20	Dec. 19	Dec. 9
Nov Yield	151.601	150.252	225.713	1,552	1,576	1,576	1,118
Nov Yield	111.628	112.472	121.451	629	629	629	498
Nov Yield	134.027	135.021	162.651	42	42	42	7

CANADA

	Dec. 11	Dec. 10	Dec. 9	Dec. 8	1987	
	11	10	9	8	High	Low
Metals & Minerals	2545.45	2573.30	2608.30	2648.30	3997.55	3997.55
Composites	134.027	135.021	162.651	162.651	225.713	225.713
MONTREAL Portfolio	1567.25	1556.51	1551.59	1542.72	2224.77	2224.77

NEW YORK ACTIVE STOCKS

	Friday	Sacks	Closing	Change	Start	Closing	Change
			price	on day			on day
US Vols & Cr	1,422,000	25%	1,422,000	25%	1,422,000	25%	1,422,000
Foreign	1,422,000	25%	1,422,000	25%	1,422,000	25%	1,422,000
Spec	1,422,000	25%	1,422,000	25%	1,422,000	25%	1,422,000
Sum	1,422,000	25%	1,422,000	25%	1,422,000	25%	1,422,000
Net	1,422,000	25%	1,422,000	25%	1,422,000	25%	1,422,000

Base value of all indices are 100 except NYSE All Composite - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto Indices based 1975 and Montreal Portfolio's 1/1/75. \* Excluding bonds.

	Dec. 11	Dec. 10	Dec. 9	Dec. 8	1987	
	11	10	9	8	High	Low
AUSTRALIA	1222.4	1229.2	1236.4	1239.9	2305.9	2305.9
All Ordinaries (1/1980)	728.8	729.6	726.1	722.9	1462.4	1462.4
All Mining (1/1980)	177.29	178.50	178.50	176.70	232.19	232.19
AUSTRIA	359.23	359.23	359.23	359.23	359.23	359.23
Credit Anstalt (3/12/86)	359.23	359.23	359.23	359.23	359.23	359.23
BELGIUM	359.23	359.23	359.23	359.23	359.23	359.23
Brussels SE (1/1980)	359.23	359.23	359.23	359.23	359.23	359.23
BENELUX	359.23	359.23	359.23	359.23	359.23	359.23
Capitales SE (1/1980)	359.23	359.23	359.23	359.23	359.23	359.23
FINLAND	551.1	557.1	566.8	564.7	679.1	679.1
Unifac General (1975)	551.1	557.1	566.8	564.7	679.1	679.1
FRANCE	272.0	270.3	277.4	274.1	464.8	464.8
CA General (3/12/86)	272.0	270.3	277.4	274.1	464.8	464.8
Paris (1/1980)	272.0	270.3	277.4	274.1	464.8	464.8
GERMANY	426.67	424.08	429.45	425.81	676.94	676.94
FAZ Akties (1/12/85)	426.67	424.08	429.45	425.81	676.94	676.94
Commerzbank (1/1980)	426.67	424.08	429.45	425.81	676.94	676.94
HONG KONG	2940.62	2949.58	2927.87	2934.98	3994.73	3994.73
Hang Seng Bank (3/1980)	2940.62	2949.58	2927.87	2934.98	3994.73	3994.73
ITALY	488.04	491.92	502.97	502.32	767.34	767.34
Stet (1/1972)	488.04	491.92	502.97	502.32	767.34	767.34
JAPAN	2292.28	2295.31	2292.28	2295.31	2292.28	2295.31
Nikkei (5/1980)	2292.28	2295.31	2292.28	2295.31	2292.28	2295.31
Yokoh Spec (1/1980)	2292.28	2295.31	2292.28	2295.31	2292.28	2295.31
NETHERLANDS	353.4	355.8	357.6	355.8	394.1	394.1
AMS-Euro General (1975)	353.4	355.8	357.6	355.8	394.1	394.1
AMS-Euro General (1975)	353.4	355.8	357.6	355.8	394.1	394.1
SWEDEN	324.34	317.91	324.34	324.34	324.34	324.34
SEB (4/1980)	324.34	317.91	324.34	324.34	324.34	324.34
SINGAPORE	741.0	744.0	746.0	738.5	1395.4	1395.4
Stocks Times Inc. (3/12/86)	741.0	744.0	746.0	738.5	1395.4	1395.4
SOUTH AFRICA	1379.0	1378.0	1375.0	1379.0	2999.0	2999.0
JSE Cash (1975)	1379.0	1378.0	1375.0	1379.0	2999.0	2999.0
JSE Industrial (3/1978)	1379.0	1378.0	1375.0	1379.0	2999.0	2999.0
SPAIN	231.85	204.98	230.79	205.52	325.44	325.44
Madrid SE (3/12/86)	231.85	204.98	230.79	205.52	325.44	325.44
SWEDEN	2311.98	2323.68	2375.16	2352.80	3558.40	3558.40
Jacobson & P. (3/12/86)	2311.98	2323.68	2375.16	2352.80	3558.40	3558.40
SWITZERLAND	462.2	463.1	470.6	463.1	729.7	729.7
Swiss Bank Ind. (3/12/86)	462.2	463.1	470.6	463.1	729.7	729.7
WORLD	378.5	377.6	376.5	376.5	495.9	495.9
N.S. Central Ind. (1/1970)	378.5	377.6	376.5	376.5	495.9	495.9

-- Saturday December 12: Japan Nikkei - 1. TSE (1).

Base values of all indices are 100 except NYSE All Composite - 50; S. & P. 100 Index - 255.7; JSE Industrial - 24.3; and Australia, All Ordinaries and Metals - 1000; (1) Credit/100 (1/1980).

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**Continued on Page 45**

USE CO



## AMEX COMPOSITE CLOSING PRICES

Stock	Stk	P/E	100% High	Low	Close	Change	Stock	Stk	P/E	100% High	Low	Close	Change	Stock	Stk	P/E	100% High	Low	Close	Change	Stock	Stk	P/E	100% High	Low	Close	Change
AT&T	264	74	74	+	+		AT&T	264	74	74	+	+		AT&T	264	74	74	+	+		AT&T	264	74	74	+	+	
Bank	125	100	100	+	+		Bank	125	100	100	+	+		Bank	125	100	100	+	+		Bank	125	100	100	+	+	
Chem	100	100	100	+	+		Chem	100	100	100	+	+		Chem	100	100	100	+	+		Chem	100	100	100	+	+	
Comp	100	100	100	+	+		Comp	100	100	100	+	+		Comp	100	100	100	+	+		Comp	100	100	100	+	+	
Def	100	100	100	+	+		Def	100	100	100	+	+		Def	100	100	100	+	+		Def	100	100	100	+	+	
Dist	100	100	100	+	+		Dist	100	100	100	+	+		Dist	100	100	100	+	+		Dist	100	100	100	+	+	
Elect	100	100	100	+	+		Elect	100	100	100	+	+		Elect	100	100	100	+	+		Elect	100	100	100	+	+	
Eng	100	100	100	+	+		Eng	100	100	100	+	+		Eng	100	100	100	+	+		Eng	100	100	100	+	+	
Equip	100	100	100	+	+		Equip	100	100	100	+	+		Equip	100	100	100	+	+		Equip	100	100	100	+	+	
Food	100	100	100	+	+		Food	100	100	100	+	+		Food	100	100	100	+	+		Food	100	100	100	+	+	
Gen	100	100	100	+	+		Gen	100	100	100	+	+		Gen	100	100	100	+	+		Gen	100	100	100	+	+	
Health	100	100	100	+	+		Health	100	100	100	+	+		Health	100	100	100	+	+		Health	100	100	100	+	+	
Ind	100	100	100	+	+		Ind	100	100	100	+	+		Ind	100	100	100	+	+		Ind	100	100	100	+	+	
Int	100	100	100	+	+		Int	100	100	100	+	+		Int	100	100	100	+	+		Int	100	100	100	+	+	
Lab	100	100	100	+	+		Lab	100	100	100	+	+		Lab	100	100	100	+	+		Lab	100	100	100	+	+	
Leas	100	100	100	+	+		Leas	100	100	100	+	+		Leas	100	100	100	+	+		Leas	100	100	100	+	+	
Med	100	100	100	+	+		Med	100	100	100	+	+		Med	100	100	100	+	+		Med	100	100	100	+	+	
Mfg	100	100	100	+	+		Mfg	100	100	100	+	+		Mfg	100	100	100	+	+		Mfg	100	100	100	+	+	
Mkt	100	100	100	+	+		Mkt	100	100	100	+	+		Mkt	100	100	100	+	+		Mkt	100	100	100	+	+	
Oil	100	100	100	+	+		Oil	100	100	100	+	+		Oil	100	100	100	+	+		Oil	100	100	100	+	+	
Pharm	100	100	100	+	+		Pharm	100	100	100	+	+		Pharm	100	100	100	+	+		Pharm	100	100	100	+	+	
Pub	100	100	100	+	+		Pub	100	100	100	+	+		Pub	100	100	100	+	+		Pub	100	100	100	+	+	
Real	100	100	100	+	+		Real	100	100	100	+	+		Real	100	100	100	+	+		Real	100	100	100	+	+	
Sec	100	100	100	+	+		Sec	100	100	100	+	+		Sec	100	100	100	+	+		Sec	100	100	100	+	+	
Ship	100	100	100	+	+		Ship	100	100	100	+	+		Ship	100	100	100	+	+		Ship	100	100	100	+	+	
Steel	100	100	100	+	+		Steel	100	100	100	+	+		Steel	100	100	100	+	+		Steel	100	100	100	+	+	
Text	100	100	100	+	+		Text	100	100	100	+	+		Text	100	100	100	+	+		Text	100	100	100	+	+	
Trans	100	100	100	+	+		Trans	100	100	100	+	+		Trans	100	100	100	+	+		Trans	100	100	100	+	+	
Util	100	100	100	+	+		Util	100	100	100	+	+		Util	100	100	100	+	+		Util	100	100	100	+	+	
Watr	100	100	100	+	+		Watr	100	100	100	+	+		Watr	100	100	100	+	+		Watr	100	100	100	+	+	
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**Nasdaq national market closing prices**[illegible]

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**FINANCIAL TIMES**  
Europe's Business Newspaper



## Dow advances confidently despite weakness in oils

### Wall Street

SHARPLY lower oil prices gave US equities a substantial boost yesterday as traders interpreted the failure so far of the Organisation of Petroleum Exporting Countries to reach a new pricing accord as favourable for inflation.

The Dow Jones Industrial Average closed 65.82 higher at 1932.86 in the biggest rise in a session since October 29, when the index gained 91.51 points. Trading was reasonably active with more than 187m shares changing hands. Substantial buy orders seemed to have been triggered by futures-related programmes.

There was a general sense of confidence underlying yesterday's substantial advance, partly because of the market's relative resilience on Friday in the face of a dollar at post-war lows and a record merchandise trade deficit in October. A slight recovery in the dollar yesterday helped steady nerves. In late trading, the dollar had managed to hold above DM1.63 and tested the ¥129 level.

US Treasury bonds also benefited from the anti-inflationary implications of lower oil prices and the dollar's relative stability. The Treasury's 8.875 per cent, 20-year benchmark issue was quoted around 137 1/8 points higher in late trading to give a yield of 9.38 per cent.

Bond traders are taking a cautious stance prior to this week's meeting of the Federal Open Market Committee for any clues to Fed thinking on monetary policy.

The consensus view appears to

be that the Fed will keep monetary policy steady and continue to target the Fed Funds rate at around 6 1/2 per cent.

Crude oil prices yesterday dropped around \$1 per barrel from Friday's closing levels before recovering modestly towards the end of the day as reports emerging from Vienna suggested Iran may be persuaded to sign a compromise pricing deal which would maintain the current \$18 per barrel reference price for six months. The January futures contract traded around \$17.50, 75 cents per barrel down on Friday's close.

Early weakness in the oil sectors dissipated as more hopeful signs emerged from Vienna. Exxon reversed a 3 1/2% loss to close 3 1/2% higher at \$38 1/2 and Chevron recovered from being down 3 1/2% to close 3 1/2% higher at \$38 1/2. Atlantic Richfield, which on Friday announced a partial offer for Britoil, closed \$2 down at \$65 1/2.

The shares were undermined by a statement by the British Panel on Takeovers and Mergers that Atlantic Richfield must seek a waiver if it is to raise its stake in Britoil to 49.9 per cent from 29.9 per cent, as it proposes.

Tecaco and Pennzoil closed lower on profit taking after Friday's sharp rise after reports their merger talks were about to be settled. Tecaco lost 3 1/2% to \$35 1/2 and Pennzoil slumped 3 1/2% to \$74 1/2.

Gold was another commodity in the limelight yesterday as the price of spot gold soared above \$500 per ounce for the first time in more than four years, albeit only momentarily.

Among gold mining stocks, Homestake Mining reversed a mid-session gain of 3 1/2% as the spot gold price eased back to close 3 1/2% down at \$17 1/2 and Newmont Mining lost a gain of 3 1/2% to close 3 1/2% down at \$38 1/2.

Among featured stocks, USX rose 3 1/2% to \$31 after news that investor Carl Icahn had received government approval to boost his 11.4 per cent stake in the company.

GAF, the US specialty chemicals and building materials group, fell 3 1/2% to \$44 1/2 after yesterday's announcement of substantially lower terms for the proposed management buy-out.

Telex jumped 3 1/2% to \$56 after the announcement that Memorex International had agreed to acquire the company for \$62 a share in cash and preferred stock.

Amfac, the retailer and hotel conglomerate, rose 3 1/2% to \$30 1/2 after the company's announcement of a major restructuring plan which would involve a cash or cash-and-equity payout to shareholders. International Technology, which also announced restructuring plans yesterday, rose 3 1/2% to \$6 1/2.

In the over-the-counter market, Washington Scientific rose 3 1/2% to \$7 after news that a group including Mr Richard Handelsman, a Chicago investor, had built up a 6.1 per cent stake and may seek to take control of the company.

### Canada

BUOYED by rising blue chips and resource issues, Toronto stocks shadowed an advance on Wall Street to close sharply higher.

The composite index climbed 70.40 to 3171.10 as advances outpaced declines by 554 to 328 on heavy volume of 42.7m shares.

### EUROPE

## Poll result pulls Brussels lower in unruffled trading

THE DOLLAR's unremitting slide brought another day of uncertainty and depression to many European bourses yesterday, but a few managed hesitant rallies thanks to bargain-hunting. It was a day of hushed trading almost everywhere.

BRUSSELS finished lower across the board in a fairly muted reaction to the general election gains for the Socialists.

The dollar's weakness was seen as an equally important dampener in a market which had already anticipated losses for the centre-right Government coalition late last week.

The Brussels stock exchange index finished 43.1 down at 3,511.2, another low for the year, after trimming sharper losses earlier in the day. The forward market index was also at a new low of 3,070.8, a fall of 56.5. Volume was fairly thin.

Market leader Petrofina shed Bfr180 to Bfr8,080, while holdings Reserve and Cbl lost Bfr60 to Bfr2,140 and Bfr20 to Bfr2,160, respectively.

Chemical Solvay fell Bfr150 to Bfr4,500, while retailer Delhaize, which has big stakes in US supermarkets, was off Bfr70 at Bfr2,880.

Banks were lower, but the degree of their losses varied. Banque Bruxelles Lambert edged down Bfr10 to Bfr2,430 while Kredietbank suffered a Bfr130 setback to Bfr3,020.

FRANKFURT had one of its quietest sessions of the year, with prices drifting to an easier close after the dollar was fixed at DM1.6238, just above an all-time low of DM1.6220 reached during the morning.

The Commerzbank index at mid-session showed a slight gain of 4 to 1,308 but the Boersen-Zei-

tung 30-share index at the close was off 2.01 at 271.50.

Losses were interspersed with bargain-hunting, however, which helped Metallgesellschaft to a close of DM257, up DM10 on Friday, and lifted insurer Allianz DM15 to DM1,190.

International favourites were generally lower, with Siemens off DM120 at DM387.50. Banks saw Deutsche down DM130 at DM393.50 and Commerzbank slipping DM2.50 at DM221.

Cars put on a mixed performance as Daimler rolled ahead by DM1 to DM409, while BMW reversed 50 pf to DM434.

Retailers had an unhappy time amid worries over Christmas revenues. Karstadt lost DM12 to DM465, Kaufhof DM8.20 to DM4 and Herten DM4 to DM168.

Steelmaker Thyssen shaved off DM2.30 to DM104 following news that world group net profit fell in 1987 but the dividend would remain unchanged.

Bonds edged sharply lower in thin trading with few buyers apparent. The Bundesbank bought DM84.2m of paper after buying DM48.3m on Friday.

OSLO rose on bargain-hunting despite problems at the Opec talks, and the oil index recouped 7.39 of recent losses to rise to 200.20.

STOCKHOLM had a thin, easier session, with few stocks traded. An exception was Stora, which fell SKr4 to SKr270.

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